

BUSINESS WEEK

APR 26 1947

1950-1960

USA

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BUSINESS
WEEK
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Look out for dust in your eyes

IT'S TIME someone turned the light of truth on the false statements that fill the air. These are statements intended to blind you, so that while you're blind you can be led—to your own ultimate harm but to the great personal benefit of the so-called "leaders".

You hear these statements every day:

1. "Corporations are making huge profits they could use, to increase wages." The truth is that if *all* profits were used, wages could be increased in total only 4%, and if that were done, investment in new equipment would stop, productivity would go down, and soon we would be in the worst depression the world ever saw.

2. Another statement is: "Corporations have swollen wartime profits out of which they could raise wages." This simply is not true. The government (which means the people) prevented it, with Excess Profits Taxes and Renegotiation. And most of the profits left are invested in buildings and machinery which can be turned into wages only by being *used, efficiently*.

3. Another claim: "Wages can be raised without raising prices." Yes, as we pointed out earlier, you could raise wages 4%, but without an increase in production that's all—and then you've wiped out profit, prevented investment in new equipment, and started that factory on a downward spiral to bankruptcy which means *no* wages.

4. The final bit of dust is: "Even if prices do go up, to pay higher wages, it will do no harm." The higher the price of anything, the fewer there are who can buy it. The fewer who buy it, the fewer the jobs needed to make it.

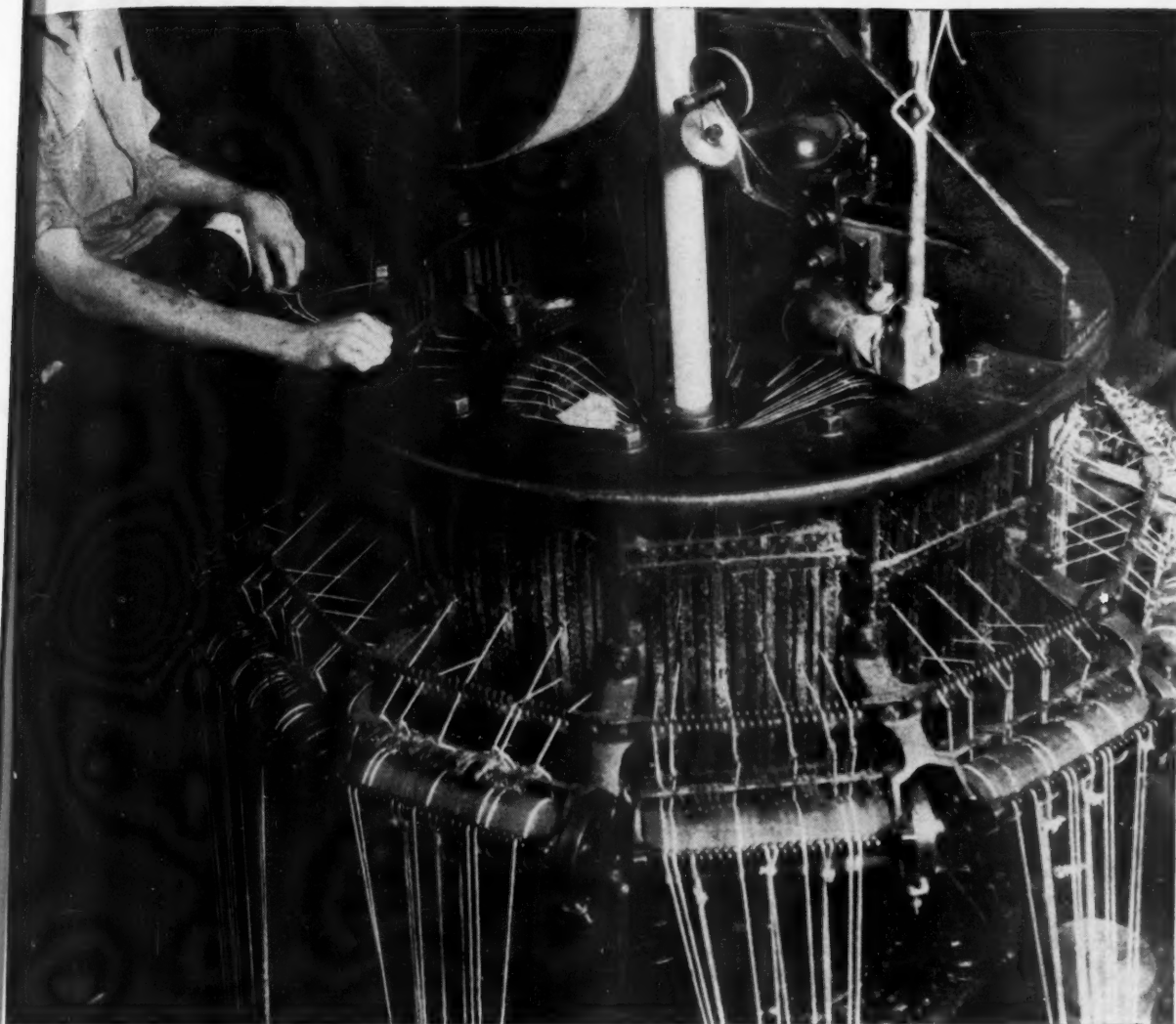
The dust-throwers hope to blind you to these two all-important facts:

First—profit is the life-blood that keeps a business growing, and it is only the growing business that can provide more and better jobs.

Second—more wages can come only out of more efficient production. Where else is the money to come from?



YOU CAN MACHINE IT BETTER, FASTER, FOR LESS WITH WARNER & SWASEY TURRET LATHES AND TAPPING MACHINES



Weaving the girdle that chases fires

A typical example of B.F. Goodrich product improvement

THAT big machine is making a fire hose "jacket"—woven cords that, like a girdle, will keep the rubber hose in shape, and prevent bursting from the high pressure of fire-fighting water lines.

But the cotton cord jacket made fire hose heavy, and hauling it up ladders and through burning buildings slowed up firemen. Something better was needed.

B.F. Goodrich engineers tackled the problem. First they developed a new kind of cotton cord that gives greater strength by a new method of twisting the strands. Then they found a new

rubber compound that could be made thinner and stronger than rubber formerly used. Most important development was a new way of weaving the jacket—it is made the way ship cables are spun so that each cord bears an equal share of the pressure load; that means greater strength even with smaller cords, and no weak spots.

This new B.F. Goodrich hose is 18% lighter yet stronger than ever. Firemen can get it into action faster. And while they were at it, B.F. Goodrich engineers developed a *Koro seal* gasket that speeds up tight coupling, a stronger end construction where ordinary hose used to

fail, and a better treatment to prevent mildew.

This is typical of B.F. Goodrich research: they set out to improve one feature of an old product, and wound up with an almost wholly new product with many improvements.

Because that is typical, it pays to find out what developments B.F. Goodrich has made recently in any rubber product you buy. *The B.F. Goodrich Company, Industrial Products Division, Akron, O.*

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BUSINESS WEEK • Apr. 26, 1947

WASHINGTON OUTLOOK


 SERVICE

REPUBLICANS IN CONGRESS aren't climbing aboard Truman's price-cutting bandwagon.

The Joint Economic Committee jumped into the headlines last week. This week it backed hastily away from O'Mahoney's effort to line it up behind the President.

The committee:

Refused to let out a staff report on prices and profits, sent it back to be pared down to facts and figures.

Threw out a staff questionnaire because the majority thought the questions were loaded; a subcommittee is doing a revise to be sent out next week.

Decided to issue no statement and hold no hearings until it gets the questionnaires back.

So far, the economic committee hasn't been able to get together on "basic economic principles."

Chairman Taft figures that current wage boosts bar price cuts. O'Mahoney agrees with Truman's economists that there's room for price cuts, too.

Senator Flanders sits in the middle. He goes this far: Pay boosts are a "deterrent" to price action.

Truman is shifting tactics in his own campaign to talk prices down.

His advisers are discouraged by scant results from buttonholing business leaders (page 15). But they have a feeling that ballyhoo is working—building up price resistance among consumers and, particularly, distributors.

That's why Truman made prices the subject for his full-dress speech before the Associated Press this week.

Admittedly, this tactic shift involves risks. If the ballyhoo overshoots, it might bring on the slump earlier—the one Truman seeks to ward off with a voluntary price adjustment before the market forces one.

Even so, Truman's advisers think a slump would be less severe if it came now rather than later.

Truman is being urged to try still another tack on prices.

Housing officials would like to call in groups of building materials people for top-drawer meetings to talk joint price reductions.

But the meetings may never come off. This

would be a tough industry to lead off with—most builders are furious over government talk of high house prices.

SENATE DEMOCRATS wish Truman would quit talking as if he would veto any kind of a tax cut bill.

They think it hampers their chances of tempering the house-approved Knutson bill into a tax cut formula Truman could accept.

They know the G.O.P. majority will force a roll-call vote. They wish Truman would leave the door open for an alternative such as this week's bill by Democratic whip Lucas.

It hikes personal exemptions to \$600, cuts surtax rates 2%, lets husbands and wives split family income on separate returns.

Also, the Lucas bill carries a Jan. 1, 1948, effective date.

Significance: Congress thus gets off the spot by voting to cut taxes this session, while yielding to Truman's objection to cuts now.

DRIVE TO OUTLAW portal pay suits is losing a lot of its heat.

The Mt. Clemens pottery case—which created the issue—has been withdrawn (BW—Apr. 12'47, p108). So, too, this week C.I.O.'s Murray took official union support out from behind more than \$500-million in suits against Big Steel in exchange for a wage boost. Many other cases will likewise evaporate.

Thus, legislation outlawing pending back pay claims loses its urgency. But some employers are still on the spot. And the G.O.P. wants to tighten up on wage-hour pay claims generally.

They wonder how far they can go and still override a Truman veto.

EX-SENATOR WHEELER is trying his luck with Truman on getting access to the Roosevelt papers on Arabian oil deals.

Wheeler's mission is on behalf of the Brewster (nee Truman) committee. The committee has heard charges the Navy paid too much for the oil during the war.

It has also heard that Roosevelt had a hand in the arrangements. But formal committee requests for a look at the files haven't produced them.

So Wheeler makes a personal request. It was

WASHINGTON OUTLOOK (Continued)

on Wheeler's committee that Truman made his first big splash as a senator.

BEHIND THE HEADLINES from Washington the work goes on in the bureaus and agencies. You hear of it when it's started, then often lose it until it's all wrapped up in a bundle and announced.

Here's the status of a number of such items of interest to business which are simmering on the back burner:

Census: Proposed count of business and manufacturers is stalled in Congress. This one will come to a boil within a month.

FTC: Household dye makers can expect soon formal issuance of their trade practices code. (BW—Feb. 8 '47, p21).

Commerce: Steel capacity survey is being pulled together for June release. It will be strictly facts—no recommendations.

Military: Army-Navy merger bill delays streamlined procurement methods developed during the war.

White House: Truman's scientific Research Board is scheduling for June-July release a series of reports. They'll cover: Number and distribution of scientists; administration of federal programs; size of government and private science budgets.

Panama Canal: Special Army-Navy board will take until its Dec. 31 deadline to decide between proposing a third set of locks or a sea-level channel.

ICC: Recommendations growing out of last fall's inquiry into train wrecks are being drafted (BW—Apr. 19 '47, p19). Look for demands for modernizing signal systems on some roads.

Interior: Perennial battle to junk the 160-acre limit on reclamation project lands will flare up again beginning May 5 in the Senate Public Lands Committee.

THE NATURAL GAS INDUSTRY has lost its campaign for legislation to get FPC out of its hair—at least this year.

The house may still pass the Rizley bill (BW—Mar. 29 '47, p6). But the Senate won't. And Truman is hostile, anyway.

However, gasmen are getting part of what they want without a law. They've already scared FPC into turning over more gas controls to the states.

And they've filled the record with charges that FPC is to blame for last winter's—and next winter's—gas shortages.

But they still haven't gotten the higher price tag they want for their own gas in the field.

Without a higher price, natural gas will be even more sought after as a fuel. Both oil and coal prices are still going up.

So, gasmen fear next winter's shortage will be the worst yet. Natural gas already is oversold. But gas furnaces still are being installed in some areas.

There is enough gas in the Southwest. But not enough carriers to bring it East. And there isn't enough large pipe to build new lines already authorized.

THE U. S. IS LOSING GROUND in atomic energy development.

It's not just that nations are catching up to Hiroshima. Painful fact: The domestic program has gone downhill since V-J Day.

Scores of top scientists have pulled out; others hesitate to take jobs with the harried AEC. Many business firms have been shying away from firm contracts.

Also, plutonium production is now recognized as the key process—and the Hanford plutonium works is obsolete.

With his confirmation fight over, Lilienthal hopes to get the U. S. program back on the track. That's what prompts his frank talk (like that to the newspaper editors last week) on how far the program has slipped.

WAA'S FACE IS RED—again. All through the iron shortage, it tried to find someone to run the Daingerfield Iron Works in Texas, finally sold it last month (BW—Mar. 15 '47, p20).

Now it turns out the Navy is using a blast furnace blower in the Daingerfield plant and won't give it up.

It's a fair bet that William H. Harrison of A. T. & T. will be Greek aid administrator. He headed WPB's construction division, later was an Army Signal Corps general during the war. . . .

Legislation re-incorporating Export-Import Bank to enable it to continue in active operation beyond June '48 is moving smoothly through Congress. . . .

Funds for coal mine inspections and accident investigations—\$2,773,000—were the only major items in the Interior Dept. money bill for fiscal '48 not reduced by the house committee.

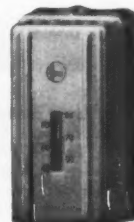


Basement exercise ... modern style

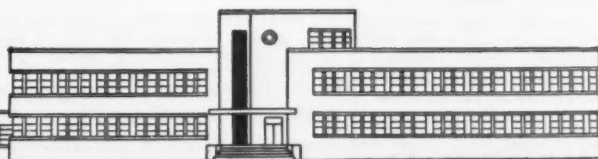
Thanks to automatic heating—basement drudgery has disappeared! All the hard work and misery of hand firing a heating plant are no longer necessary.

In transforming the basements of American homes into cheerful, clean rooms—free of smoke, soot and dirt—the automatic heating industry is aided by PENN Controls. PENN Thermostats automatically regulate the heating system to maintain uniform, healthful and comfortable room temperatures. Other PENN Controls insure economical and safe operation.

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JESSOP High Speed Steels

JESSOP has been a leading producer of high speed steel since the first world war and has pioneered many improvements in this field. JESSOP High Speed Steels are furnished in all types, including straight tungsten, tungsten-cobalt, and tungsten-molybdenum analyses, and in all commercial shapes such as bars, sheets, drill rod, and finished tool holder bits.

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THE COVER

Four years ago the Twentieth Century Fund, a private research foundation set up by Edward A. Filene, Boston department store owner and philanthropist, launched an ambitious study of the U. S. economy's needs and resources. Its purpose: To see how close production would come to meeting the nation's needs in the 1950-1960 decade if business continued to operate at high levels.

On page 55 of this issue, Business Week gives its management-readers an advance synopsis of this important survey. The complete study will not appear until next month, when the Twentieth Century Fund will publish it in an 875-page volume called "America's Needs and Resources," which will get nationwide attention.

• **Too Much?**—No one had ever attempted to measure America's needs when the Fund's trustees decided to begin this project in 1943. At that time, many people were saying that our huge productive potential boded ill for peacetime years. They thought we could produce much more than we could ever consume. So they forecast an era of mass unemployment, once wartime shortages had been made up.

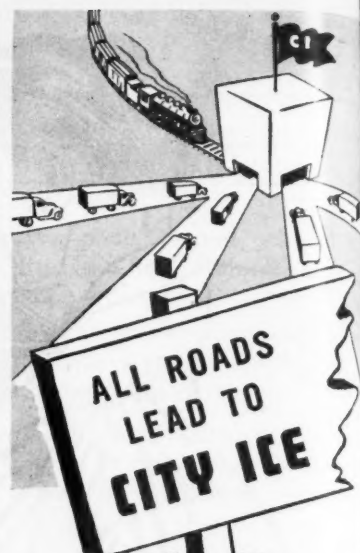
The Fund's trustees decided to see how much truth there was in this argument. So they commissioned the Fund's economist, Dr. J. Frederick Dewhurst, to dig out all the evidence.

• **Experts Report**—Economist Dewhurst set up shop in Washington and called in 21 of the leading experts in such diverse fields as nutrition, housing, education, and capital goods. Each expert assembled all the available facts about past production and consumption in his field. Then past trends were extended to get estimates of probable output and needs in 1950 and 1960. Finally, all the separate parts—shoes, clothes, refrigerators, industrial plants, and other things—were added together.

The survey is notable as a storehouse of information on the operations of the U. S. economy. It contains a wealth of statistics never before assembled in one place on such vital topics as consumer spending, productivity, natural resources.

• **Labeling a Myth**—Its major conclusion for the 1950-1960 decade is that the nation's resources will not outrun the needs defined by an American standard of living; that the myth born of the 1930's—that we can produce too much—was, indeed, a myth.

The Pictures—Harris & Ewing—15, 16, 76; Acme—16, 41, 84; Press Assn.—23, 100; Int. News—92, 106; Roger Dudley—74; U. S. Dept. of Interior—108; London Daily Herald—118.



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BUSINESS OUTLOOK

BUSINESS WEEK

APRIL 26, 1947



Purchasing power will be bolstered by the wage boosts that became general this week; price cuts, however, will be discouraged (page 15).

Though incomes have been rising right along (for most people), they long since were left far behind by prices. Moreover, February figures show income payments to individuals off from the January peak, even after due allowance is made for the short month and for seasonal factors.

February's slight dip in consumers' incomes may have been caused by bad weather. Yet, at this stage, it isn't a comforting portent.

Thus larger wage payments, if prices stay put, will shore up business.

Price cuts along with wage boosts probably won't be announced by a lot of companies, but General Cable Corp. turned the trick this week.

The concern signed for an 11½¢ an hour wage increase, then posted a reduction on wire and cable—products whose cost enters into virtually all types of construction as well as electrical appliances.

General Cable apparently is doing very well. Then, too, the wage settlement quite possibly was more favorable than had been expected.

Common stockholders were told at the annual meeting that they might get a dividend before long, the first payment since the twenties.

Industry may cut costs a bit on raw materials in the months ahead.

The limited list of industrial commodities included in the Bureau of Labor Statistics' daily index is off more than 3% from the March high.

Admittedly, this is a very volatile index. Its movements are much more rapid than the broad range of materials costs. Yet it is indicative.

Significant, too, are the movements in scrap metals. High prices started the flow of scrap to market (BW—Apr. 19'47, p10). As this began to be felt, prices reacted accordingly.

That accounts for the sharp break in scrap steel this week.

Similarly, a large flow of scrap plus some slowing in demand resulted in markdowns on both brass and aluminum ingot made from secondary metal.

Copper promises to present a perplexing market problem in the immediate future with higher prices not at all unlikely.

The Senate finally passed the House-approved suspension for two years of the 4¢ import tax on the red metal. That means users can buy in the world market without the burden of that impost.

But the foreign price has worked up about 2¢ a lb. higher than the domestic 21½¢. Under the circumstances, U.S. producers are very likely to let their prices swing with the world market.

Informed guesses in the trade are that the price here will rise first off, but that the foreign price will shortly weaken.

Foreign interests are suspected of holding copper off the market, awaiting U.S. buying. Their selling could well knock the price down.

Most important, though, is the fact that domestic users will be able to eke out with imports what they are shy in home output.

Prices doubtless will go too far when the dip really starts. That's the nature of such "corrections." But the subsequent rally is likely to be quite substantial; production costs, notably wages, are rigid enough to guarantee that the economy is on a permanently high-price basis.

Nonferrous metals are a case in point. Roger Straus, president of

BUSINESS OUTLOOK (Continued)

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American Smelting & Refining Co., predicted this week that the next major move will be downward but that the general level will be higher than prewar.

Sharply increased costs, he noted, will mean that old-time prices could not be attractive enough to stimulate adequate mine production.

•
Such declines as have occurred in raw materials prices to date have been most notable in foodstuffs (which also had one of the sharpest rises).

The Bureau of Labor Statistics' daily average shows this group to be down more than 10% in the last five weeks. But that doesn't mean 10% off the cost of the family market basket, for the index isn't that representative.

There have been rather sharp drops in coffee and cocoa among the imported foodstuffs. Bread grains, meats, and fats and oils have come down substantially among the home-grown items.

But don't expect meats to keep going down. Slaughter has declined steadily for six weeks and won't increase much until next autumn.

The 23% decline in the pork volume since Mar. 1 is no surprise. But few expected that a 15% drop in beef would be experienced.

•
Sales of all independent retailers last month were up 16% in dollar volume, but that isn't as good a gain as it sounds.

The total is very heavily weighted by auto dealers' turnover, which topped year-ago levels by 167%. Not another single line did better than a 12% gain—which means that most of them were behind in physical volume.

Apparel stores, which should have been reveling in their pre-Easter sales splurge, hung up not better than a 4% gain in dollar turnover.

•
Uncle Sam will get a chance to do some fancy price supporting in the tobacco markets next fall and winter.

Last year's record crop filled curing warehouses. And growers intend to plant only 30,000 fewer acres than the 1,938,000 that produced last year's huge yield. Planting would be 300,000 over the ten-year average.

But the foregoing isn't the ominous part of the story. That's the 50% boost in the cigarette tax in Britain, our No. 1 tobacco export customer (page 118).

That brings a pack of cigarettes up to about 60¢ in England. The idea isn't to raise revenues but to husband precious dollar exchange.

•
Reports that the cotton mills are feeling a reduction in demand are borne out in figures on consumption of the fiber.

March ran slightly ahead of February. However, when allowance is made for three more working days, last month was nearly 3,000 bales under the two previous months daily average use of approximately 35,500.

Slowing down of mills could readily relieve the squeeze in spot cotton markets, but there has been little sign of that as yet.

•
Post-Easter flattening out of the business loan curve doesn't necessarily reflect any similar slowing down in business.

Borrowing flattened out a year ago during the April-May-June period, then resumed its headlong rise in the later months. Besides, stores are working off top-heavy inventories and thus repaying bank loans.

And banks are a little more fussy on loans with credit a bit stickier.

FIGURES OF THE WEEK

	% Latest Week	Preceding Week	Month Ago	Year Ago	1941 Average
THE INDEX (see chart below).	*194.1	†193.3	194.7	166.6	162.2

PRODUCTION

Steel ingot operations (% of capacity).....	95.0	94.5	97.0	73.6	97.3
Production of automobiles and trucks.....	103,148	†97,893	108,472	57,565	98,236
Engineering const. awards (Eng. News-Rec. 4-week daily av. in thousands)....	\$18,936	\$17,758	\$16,684	\$22,341	\$19,433
Electric power output (million kilowatt-hours).....	4,660	4,620	4,759	3,987	3,130
Crude oil (daily average, 1,000 bbls.).....	4,912	4,913	4,862	4,686	3,842
Bituminous coal (daily average, 1,000 tons).....	1,175	†798	2,228	119	1,685

TRADE

Miscellaneous and L.C.L. carloadings (daily average, 1,000 cars).....	84	85	85	84	86
All other carloadings (daily average, 1,000 cars).....	43	37	56	24	52
Money in circulation (Wednesday series, millions).....	\$28,163	\$28,250	\$28,242	\$27,948	\$9,613
Department store sales (change from same week of preceding year).....	-6%	+17%	+10%	+81%	+17%
Business failures (Dun & Bradstreet, number).....	68	59	47	16	228

PRICES (Average for the week)

Spot commodity index (Moody's, Dec. 31, 1931=100).....	408.5	414.1	425.4	273.5	198.1
Industrial raw materials (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	277.2	280.0	285.6	172.4	138.5
Domestic farm products (U. S. Bureau of Labor Statistics, Aug., 1939=100)....	340.1	340.7	345.7	239.9	146.6
Finished steel composite (Steel, ton).....	\$69.82	\$69.82	\$69.82	\$63.54	\$56.73
Scrap steel composite (Iron Age, ton).....	\$31.83	\$34.75	\$39.50	\$19.17	\$19.48
Copper (electrolytic, Connecticut Valley, lb.).....	21.500¢	21.500¢	21.500¢	12.000¢	12.022¢
Wheat (Kansas City, bu.).....	\$2.69	\$2.71	\$2.82	\$1.72	\$0.99
†Sugar (raw, delivered New York, lb.).....	6.12¢	6.12¢	6.12¢	4.20¢	3.38¢
Cotton (middling, ten designated markets, lb.).....	35.60¢	34.36¢	35.52¢	27.75¢	13.94¢
Wool tops (New York, lb.).....	\$1.550	\$1.550	\$1.550	\$1.330	\$1.281
Rubber (ribbed smoked sheets, New York, lb.).....	25.75¢	25.75¢	25.75¢	22.50¢	22.16¢

FINANCE

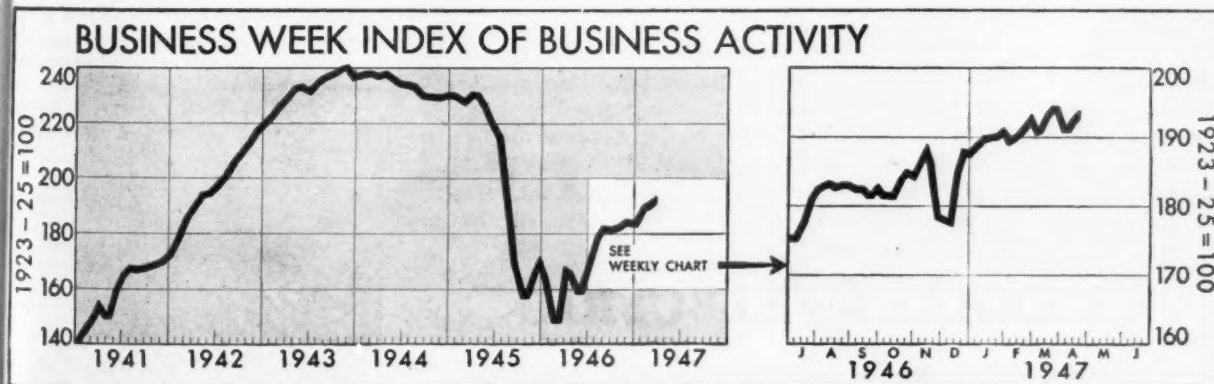
90 stocks, price index (Standard & Poor's Corp.).....	114.2	114.7	120.4	149.6	78.0
Medium grade corporate bond yield (30 Baa issues, Moody's).....	3.16%	3.16%	3.15%	2.97%	4.33%
High grade corporate bond yield (30 Aaa issues, Moody's).....	2.53%	2.53%	2.54%	2.47%	2.77%
Call loans renewal rate, N. Y. Stock Exchange (daily average).....	14-14½%	14-14½%	14-14½%	1.00%	1.00%
Prime commercial paper, 4-to-6 months, N. Y. City (prevailing rate).....	1%	1%	1%	¾%	1-1½%

BANKING (Millions of dollars)

Demand deposits adjusted, reporting member banks.....	39,213	38,667	39,005	37,748	23,876
Total loans and investments, reporting member banks.....	55,300	54,931	55,547	65,515	28,191
Commercial and agricultural loans, reporting member banks.....	11,107	11,180	11,077	7,509	6,296
Securities loans, reporting member banks.....	1,647	1,676	1,600	4,413	940
U. S. gov't and gov't guaranteed obligations held, reporting member banks.....	34,814	34,296	35,258	47,050	14,085
Other securities held, reporting member banks.....	3,551	3,539	3,484	3,440	3,710
Excess reserves, all member banks (Wednesday series).....	830	830	780	843	5,290
Total federal reserve credit outstanding (Wednesday series).....	22,474	22,893	23,047	22,857	2,265

*Preliminary, week ended April 19th. †Revised. ‡Ceiling fixed by government.

§Date for "Latest Week" on each series on request.



ENGINEERED AND MOLDED AT NO. 1 PLASTICS AVENUE



Snowstorm in a plastics tube

• Ever hear of cryotherapy? It's the science of healing skin lesions with dry ice. And now it's more effective than ever before, thanks to General Electric plastics.

The Kidde Manufacturing Co., Inc., Bloomfield, N. J., designed an ingenious kit for physicians which made dry ice from carbon dioxide cartridges in a convenient, pencil-shaped applicator. Kidde asked General Electric to produce the apparatus in plastics that would withstand the -60 degrees F temperature of dry ice. Since the individual parts had to fit together precisely,

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GENERAL  ELECTRIC

GD 47-482

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G-E Complete Service— Everything in Plastics

BACKED BY 53 YEARS OF EXPERIENCE. We've been designing and manufacturing plastics products ever since 1894. G-E research works continually to develop new materials, new processes, new applications.

NO. 1 PLASTICS AVENUE—complete plastics service—engineering, design and mold-making. Our own industrial designers and engineers, working together, create plastics parts that are both scientifically sound and good-looking. Our own toolrooms are manned by skilled craftsmen—average precision mold experience, 12 years.

ALL TYPES OF PLASTICS. Facilities for compression, injection, transfer and cold molding . . . for both high and low pressure laminating . . . for fabricating. And G-E Quality Control—a byword in industry—means as many as 160 inspections and analyses for a single plastic part.



Truman's Buttonholing Tactic

White House keeps plugging for price cuts despite wage increases. Basic industry cautious while markdowns appear in soap, canned goods, other consumer lines.

The pattern of wage increases that began taking shape this week (page 100) will make it just that much harder to cut prices. But President Truman's campaign to talk them down isn't as naive as it sounds.

• **The Picture**—This is the picture as White House advisors see it:

• Prices already have reached their top.
• Sooner or later they will have to come down.

• If the readjustment starts now, it can be fairly orderly. The effects on production and employment will be slight.

• But if prices stay up until they are forced down by exhaustion of the market, everything could fall apart at once. In that case, the recession could be painful—economically and politically.

• **Orderly Adjustment**—By stumping for lower prices now, Truman is throwing what weight he can on the side of orderly adjustment. He is also covering his political flanks. If prices go down, he can take the credit. If they stay up for some months and then collapse in a heap, he can shift at least part of the blame to those who failed to heed his warnings.

Truman's strategy has two horns: (1) the public propaganda campaign, in which Truman and Secretary of the Treasury John W. Snyder so far have done most of the talking; (2) private sessions between top industrialists and members of Truman's official family.

• **Buttonholing**—Dr. Edwin G. Nourse, Truman's chief economic adviser, has high hopes for the private buttonholing approach. One of the key points in Nourse's thinking is his stress on managerial decision (as distinct from the impersonal forces of the market) in determining prices. He is a firm believer in "business statesmanship."

But so far, the Administration's direct approach campaign has been a small-scale operation.

• **Secretary of Commerce W. Averell Harriman** has given his business advisory council (chairman, John S. Collyer of B. F. Goodrich Co.) some intensive indoctrination.

• Top government brass has talked to top management in several big basic industries—chemicals, rubber, steel.

• And that's about all.

Biggest restriction on the Administra-

tion's get-to-them-personally campaign is the dearth of sympathetic listeners.

• **A Businessman's "Welcome"**—This typically, is what one major executive told a Business Week reporter:

"Whenever those New Dealers down in Washington quit raising the cost of food by their back-door methods, then I would give them a decent answer on reducing the price of our company's products, if they asked me. To date they have not approached me, and I would certainly welcome one of those birds if he showed up. When in the devil did it become a crime to make a 5% or 6% profit?"

Another top-drawer executive says: "No, I have not been approached, but I would just love to have one of those boys come to me with talk of reducing my prices—especially in view of present wage demands."

• **Retailers Sympathetic**—With a few exceptions, other manufacturers take the same line. Retailers in general are more sympathetic to the lower price gospel. They can feel the buyer resistance at first hand, and they are beginning to worry about potential losses on high priced inventory.

The exceptions among manufacturers are the companies—mainly in consumer lines—that already have made cuts. Among the important additions to the list in the past week or so:

• **Jewel Tea Co.** cut prices on a large part of its canned goods line 2¢ to 10¢ a can. This figures out to a 20% to



Rep. Jesse P. Wolcott

Charles O. Hardy, economist

Sen. Robert A. Taft, chairman

Two members of the joint committee on the Economic Report and one of its advisors prepare to dig into prices.



But can he bowl over prices?

30% cut and brings most of the items below their old OPA ceilings.

- Colgate-Palmolive-Peet Co. cut its price on bulk soap 10%.
- Lever Bros. Co. immediately followed with a 10% cut on its soap products.
- General Cable Corp. announced cuts running from 6% to 12% on various kinds of wires.

Wage increases following the model set by the Big Steel agreement will stiffen the backs of most manufacturers against price reductions. But they won't make any difference in Truman's plans. The Administration already was figuring on a wage increase of 10¢ to 15¢ an hour when it launched its drive for lower prices. The reasoning is that corporations now are working on wide enough profit margins to soak up any wage increases falling within that pattern.

In the public campaign, the White House thinks it is making some headway. Truman's speeches aren't making converts of businessmen, but they are giving consumers the idea that lower prices are on the way. If that conviction spreads far enough, sellers may be forced to cut prices to move their goods.

• **Too Successful?**—The danger here is that the propaganda campaign could work too well and start a genuine depression instead of an orderly readjustment.

Meanwhile, businessmen apparently are going to get a chance to do some sounding off of their own. The con-

gressional Joint Committee on the Economic Report has started digging into the price question (page 5). With Sen. Robert A. Taft working the reins, the committee is setting up a program that will concentrate on business testimony. The result probably will be some highest counter-propaganda to the Truman campaign.

UNIQUE CONTRACT ENDED

A 52-year relationship between Aluminum Co. of America and the Niagara Falls (N. Y.) Power Co. will end some time before March, 1949.

First industry to utilize power from the Falls, Alcoa long has enjoyed an unique—and cost-saving—power contract with the utility: It purchases, not electrical energy, but mechanical horsepower furnished by the utility's water turbines. The generators which transform this mechanical power into electrical energy are owned by Alcoa.

This arrangement has enabled Alcoa to get power at a cost far below that paid by other Niagara Falls industries, and to escape any state regulation of rates. New York's Public Service Commission tried to assume jurisdiction over the setup in the late 1930's, but lost out in the courts. The commission claimed Alcoa paid only \$245,000 a year in 1933, 1934, and 1935 for power that would have cost it \$923,608 annually under commission rate schedules.

Despite this advantageous power arrangement, Alcoa found operating costs at Niagara Falls out of line with its newer, more efficient plants. Capacity there is small—42 million lb. annually, compared with 111 million lb. annually at Badin, N. C., Alcoa's next smallest reduction plant.

The power company appears happy to cancel the contract. It will give Alcoa \$1,500,000 to surrender the lease, spend \$2,500,000 to install its own generators.

A BIRD IN THE HAND . . .

After almost a year of prodding, the Army has lined up enough worsted mills to make 10,700,000 yards of serge for uniforms. Mill owners figured it was a nice hedge against the civilian market.

The Army's hunt for serge dates back to last June. Few worsted mills were interested then (BW—Mar. 22 '47, p22)—civilian orders looked better than Army contracts. Finally the Army tried a couple of end plays:

(1) It began flirting with covert cloth. Covert is a lighter weight fabric than serge. It can be turned out by mills making soft woollens, and these mills supposedly weren't loaded with orders to the extent that the worsted people were.

(2) It threatened to buy in Europe.

Both maneuvers had some effect on the worsted makers, but the real clincher was the recent state of the civilian market. Astute mill men are getting leary of the fall worsted (men's wear) market, even though they are booked through September. A good government order in hand is better than a civilian order that might fizzle before delivery is made.

Last week the Army said it was out of the serge market. The mills have promised the full quota.

ENOUGH?

More than 335,000 lb. of rope in the Naval Storage Depot at Jeffersonville, Ind., has been sold to the Soviet Union. War Assets Administration officials at Louisville made the announcement.

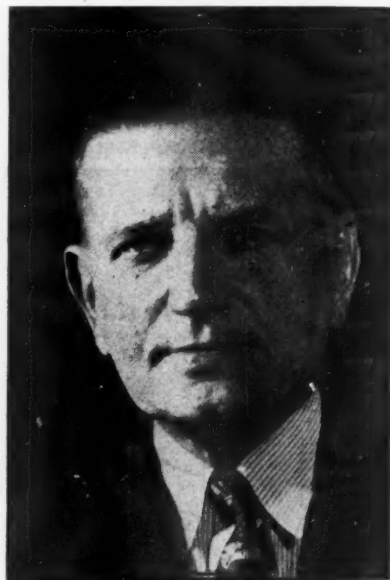
The purchase was made for \$35,000 by Rogers International, a New York brokerage firm. The rope cost the United States about \$70,000.

It is the type used on cargo vessels. WAA officials say they don't know how the Russians plan to use the 800 miles of it.

FROM CPA TO MAXSON

John D. Small, who wound up his government career by winding up the affairs of the Civilian Production Administration, this week became president of Maxson Food Systems, Inc.

He heads a syndicate which purchased controlling interest of the com-



John D. Small

pany from its parent, W. L. Maxson Corp. The subsidiary, which processes and distributes pre-cooked frozen foods, uses special equipment made by Maxson.

Before World War II, Small was western manager of Publicker, Inc.

Going Down—Who's First This Time?

In most past slumps, soft goods began to slip first. They may again. Hard-goods makers foresee relative stability.

Week by week, the handwriting on the wall has been getting plainer. Now there is no longer much doubt about what it says. The 1947 dip is already under way in some lines. As time goes on, it is spreading into others.

• Retail sales during the Easter season were a washout for most stores (BW—Apr. 5 '47, p15). The rash of post-Easter clearance sales shows that.

• The textile industry has started to slip a trifle. Soft-woolen mills have been closing down or going back to a one-shift basis (BW—Apr. 12 '47, p21). In cottons, the first faint signs of strain are cropping up.

• Shoe manufacturers have been running into buyer resistance. Price cuts are starting.

• Distillers have just about caught up with the demand for hard liquor. Aged whiskies are short, but blends are all over the place (BW—Apr. 12 '47, p76).

• The market for table-model radios is growing soggy.

• An increasing number of small metal-working shops report a slowing down because of high costs and shrinking business.

• **Some Lines Booming**—But at the same time, most industry still is going at a hell-for-leather clip. Two mainstays of prosperity—steel and automobiles—are knocking out postwar records. Automobile production is running about 100,000 cars and trucks a week, 5 million a year. Steel operations this week were scheduled to be run at 95% of capacity.

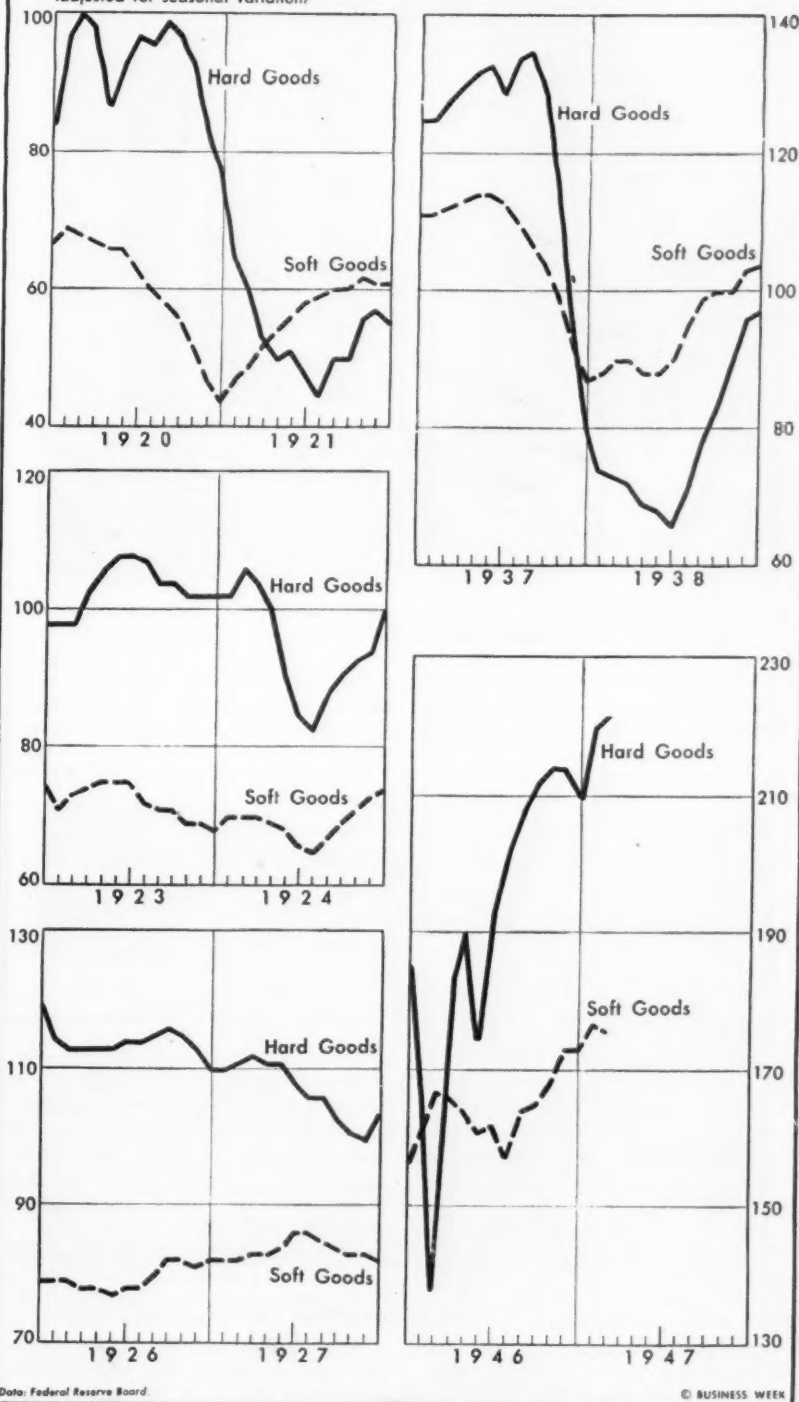
This picture may look contradictory on its face. But that's the way a recession works.

• **Wrong Impression**—When economists go back and draw charts of past business cycles, they usually plot the summary figures that apply to the whole economy—industrial production, national income, employment. This gives the impression that all business went up together until somebody blew the whistle, and that everything then turned around and started down at the same time.

Actually, it doesn't work that way. A general business boom or recession is the net sum of the movements of production, employment, and income payments in all the individual industries. Each line has its own private boom or bust. Almost always, this individual pattern will differ in timing and depth

SOME PATTERNS FOR RECESSION

1935-1939 Average = 100
(adjusted for seasonal variation)



As 1947 manufacturing flattens out, do past curves provide a forecast?

from the exact shape that the aggregates trace out.

• **A Look at History**—For example, take a few of the recessions of the past and

look at the way output varied in individual industries. Even the rough division of manufacturing production into hard and soft goods shows two decidedly



A Wright Elephant in Buffalo

White elephants in the shape of office buildings are an anomaly in these days of space shortages, but Buffalo has one. Built for the old Larkin Co. mail-order house, it was one of the first industrial jobs designed by Frank Lloyd Wright. It cost \$600,000 to build in 1906, is currently assessed at \$224,000.

Ultra-modern in its day, it boasts a washed-air system, double plate-glass windows and doors, metal furniture, fireproofing, acoustical ceiling, and

ceiling ducts for heat. One of its treasures was a \$65,000 Moller concert organ installed by John D. Larkin.

It served as a department store from 1938 to 1942, when the city took it over for taxes. Now a shattered, broken-windowed, gone-to-seed monument, it has no takers. A \$6,000 national advertising program produced nary a nibble, and a \$24,000 offer, made before the program started, was withdrawn.

different patterns in each spill (chart, page 17).

In the 1920-1921 recession—which many economists think will be the prototype for a drop in 1947—the nondurables started the downward parade. Output of nondurables hit its postwar peak in January, 1920, with the Federal Reserve Board index at 69 (1935-1939 average equals 100). For the rest of the year, soft goods sank steadily, hitting bottom at 44 in December.

Durables, meanwhile, had hit their peak when they touched 100 in February. They spilled sharply in April, then pulled up to a second top of 99 in August, some seven months after soft goods had started to slide.

Durables hit the skids in October, and went down like an elevator to a bottom of 45 in July, 1921, again about

seven months behind the nondurables.

• **More Samples**—In the mild spill of 1923-1924, durables and nondurables turned at about the same time. In 1926-1927, durables had a little depression all their own. Soft goods rose during most of the period, dipped only a trifle toward the end.

At the beginning of the great depression, durables and nondurables hit their peak simultaneously—in June, 1929.

The start of the 1937-1938 depression was very much like 1920 all over again. Soft goods hit the top in May, 1937, at 114, then started to slide. Durables dipped a bit, then went on up to 135 in August. By May, 1938, durables were down to 68, nondurables to 88.

• **Wide Divergence**—Comparison of individual industries makes the differences

stand out even more plainly. The index of automobile production (seasonally adjusted) climbed up to a peak of 135 in August, 1937. Then it went crashing down to 56 the following summer. The index of manufactured-food production, on the other hand, bumped along for the whole two years without ever going below 98 or above 107. Textiles, a more volatile member of the soft-goods group, got up as far as 125 in the spring of 1937, then dropped back to 65 in December.

• **This Time?**—If the preliminary signs tell a true story, soft goods as a group again will be the first to break this year. This fact gives extra significance to the reports of weakness in such lines as textiles and shoes.

The Federal Reserve index of nondurables production slipped back one point in February, to 176. As things stand now, practically all the steam in the boom is coming from the hard-goods industries. The soft-goods producers are no more than holding their own.

Hard-goods producers are confident that there won't be any drop in the demand for their products before the last few months of the year. And almost all of them predict that if a recession comes it will be much smaller and shorter, so far as they are concerned, than either 1921 or 1937.

• **New Pattern**—If things turn out that way, the curves of production will trace out something new in the way of a pattern. In all recent recessions, hard goods have gone through the widest swings. Soft goods have been the comparatively stable performers.

TAX-BASE RULING

Federal subsidies paid to stimulate output can be included by a local government in determining the value of a mine property for tax purposes. That was the ruling last week of the U.S. Tenth Circuit Court of Appeals in Denver in a case brought by three Utah counties against Kennecott Copper Corp. and three other mining companies.

Mine property taxes in these counties are based on the value of output over a specified period. During the war, the four companies involved in the suit received federal incentive subsidy payments in addition to the market value of their output. The companies held that inclusion of the subsidies in determination of taxable value was, in effect, an attempt by the local authorities to levy a tax on an instrumentality of the federal government.

The appeals court's action overrules a decision in favor of the operators handed down a year ago by the U.S. District Court in Utah. It also runs counter to a 1945 ruling of the Montana Supreme Court in a similar case.

Canners in Price Squeeze

Begin packing season with few orders, due to high stocks from last year among distributors. Growers resist price cut, but consumers demand it—and insist on high quality produce.

As spring trips north this year, it finds most of the country's fruit and vegetable canners in an uncomfortable and unaccustomed position: They are entering a new packing season without having sold much of what they expect to pack. The reason is the chaotic price situation—and this week's price cuts on canned foods by food chains in Chicago (page 15) didn't help.

• **High Carryover**—Canners are slow to admit that the carryover of canned foods from the 1946 pack is alarmingly high. Nevertheless, the Dept. of Commerce reports that at the beginning of March, wholesalers' and packers' stocks totaled 203 million cases—largest on record for that time of year.

Much of this is held by distributors who show an understandable reluctance to place orders for 1947. Meanwhile packers' costs are slowly moving upward, complicating their problem.

• **Growers Balk**—Packers' contracts with growers in some areas thus tend to be sharper and smaller. In upstate New York tomato packers are finding it hard to place contracts because growers are resisting the \$2-a-ton price cut. Packers in the same area will pay \$1 less per ton for sweet corn, 10% less for peas, than last year.

Some foresighted Washington (state) farmers organized themselves into the Kittitas County Corn Growers Assn. to strengthen their demand for a 1946 price—\$23 a ton—on their 1947 corn. California farmers are out to get their 1946 prices on spinach (\$25 a ton) and asparagus (9¢ a pound) but it is another question whether they will succeed. California tomato growers who got \$29 a ton in 1946 this year are cocky enough to ask for \$33.

• **High Production**—Despite acreage cuts in specific areas, reports received by the Bureau of Agricultural Economics indicate that U. S. production will approach that of 1946 and will exceed the Agriculture Dept.'s recommendations. Canners apparently will depend on their own insistence on quality produce to keep the size of the pack down. Also, they will avoid packing lower grades, which this year will be unprofitable. Here are estimates of the four major packers' crops:

Green peas acreage will be cut only about 4% from last year. The recommended reduction was 25% because of huge carryovers of both frozen and canned peas. This resulted from a leveling off of consumer demand and in-

creased fastidiousness about quality by both commercial buyers and housewives.

Two important producing areas will cut their green pea acreage by more than the national average: upstate New York by 15% to 20%; the Pacific Northwest by 25%. Only Maine will have increased plantings—from 6,890 to 8,390 acres—and that because of a good demand for its particular quality.

Snap bean acreage will be cut about 7%, compared with a recommended 10%.

Sweet corn plantings are expected to be 2.5% greater than last year. The government's recommendation: That they be cut 10%.

Tomato products are in such good demand that the government suggested planting the same acreage this year as last (an exception is tomato juice, which suffers by competition from price-cut canned citrus juices). But packers' contracts with farmers are expected to exceed last year's acreage.

• **Late Fruit Season**—Fruits for processing are a matter of yield. Except for California, the season is late. This minimizes the danger of frost damage

and favors a large crop for both processors and the fresh market. The prospects for a large vegetable crop are also favorable.

If the pattern of the years after World War I is followed, the production of processed fruits and vegetables will again be record-high this year. But it will drop in 1948—third year after the war's end.

COPPER DUTY WAIVED

Senate passage this week of a House-approved bill to waive the import excise tax on copper for two years took Washington by surprise. Mining-state senators had repeatedly stated their objections to more than a one-year waiver of the tariff (BW—Apr. 5 '47, p. 34). But in the end, they allowed the bill to go through without a harsh word.

Answer to the mystery was found in a letter from Harold Knutson, chairman of the House Ways & Means Committee, to Eugene D. Millikin, chairman of the Senate Finance Committee. In brief, the letter promised, in the event of excessive imports of copper under the bill's duty-free provisions, that the tariff would be reimposed without delay. Knutson stated that both Speaker Joe Martin and Majority Leader Charles Halleck had given their promise of cooperation in this.

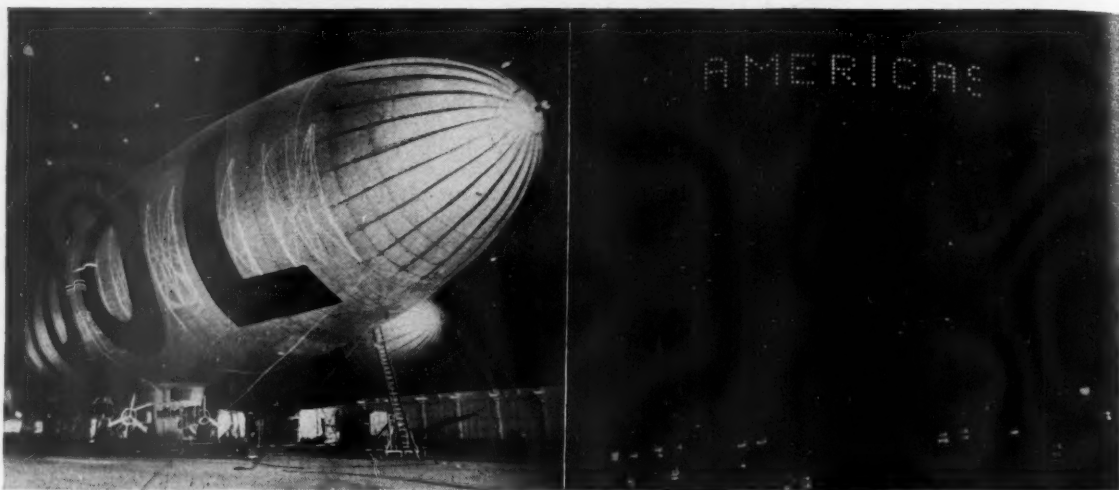
A Senate amendment excluding copper sulphate from the duty-free provisions was accepted by the House.



RESEARCH RIDES TO CANNERS' AID

Today industrial research travels on wheels. Latest addition to National Canners Assn. field service is a 24-ft. trailer completely equipped as a bacteriological laboratory. Here staff members study canning methods on the spot, help canners with processing problems. Equipment includes a refrigerator, incubators, a sterilizer, microscopes. During the war, the service helped design and operate food-testing units for the Quartermaster Corps. The trailer's job began with the 1947 Florida citrus season.

LEIGH'S MOST SPECTACULAR "SPECTACULARS"



From their Navy aerie at Lakehurst, N. J., go the aerial hucksters to hawk their wares by night.

Douglas Leigh, New York's "spectacular" sign man, is giving peacetime work to an increasing fleet of former Navy blimps (BW—May 4 '46, p69). Sides of the big airships are rented as advertising space which carry painted slogans by day and animated electric messages by night.

• **No Comedown**—Let no sentimental Navy veteran bemoan this honest occupation as a comedown for the airships, once so important in the antisubmarine patrol. Top brass in the Navy is delighted to have the ships and ex-Navy crew busy at a peacetime job which keeps them in training.

Leigh (pronounced Lee) has three blimps in use on the East Coast. He was starting West Coast service this month. The advertisers who have bought space in the East are Ford Motor Co., Tide Water Associated Oil, Metro-Goldwyn-May-er—and, most recently, the Ringling

Bros., and Barnum & Bailey Circus.

• **Great White Father**—Leigh is one of the reasons Broadway is the Great White Way. He designed many of the huge animated electric signs known to the trade as spectaculars. When war restrictions brought dimouts, Leigh had an attention-getter that didn't need bulbs—the billboard with a Camel cigaret smoker who blows rings over Times Square.

Meantime Leigh had joined the Navy and become a lieutenant, senior grade. When the war ended the blimps seemed to be one of the more unlikely prospects for reconversion to a peacetime career. Before Leigh showed up, the best suggestion was to scrap the mechanical parts of the airships and sell the rubber hides for raincoats. Surplus property officials and the Navy were delighted when Leigh offered to buy blimps and give jobs to unemployed ground crews. Especially happy was Rear Adm. Charles E. Rosendahl, the Navy's No. 1 man on lighter-than-air-craft.

• **Bargains in Blimps**—Leigh bought 29 of the blimps at a bargain. The larger blimps cost the Navy \$400,000. Leigh paid from \$500 to \$10,000 each, depending on the ship's size and condition. Those in bad order were cannibalized—that is, dismantled to provide spare parts for those in commission. Plans call for ultimate use of four on each coast.

To service his flying spectaculars, Leigh gave jobs to about 100 experienced ex-Navy men.

• **Hangar Space**—The blimps occupy rented space in Navy hangars when

not in flight. Those working the northeast run roost at Lakehurst, N. J., headquarters for lighter-than-air experiments since the days of the Zeppelins.

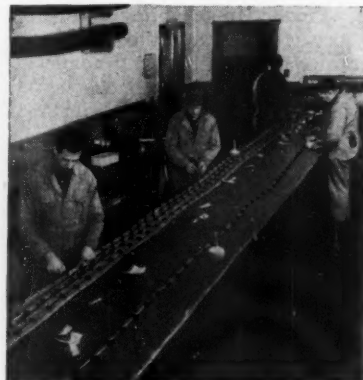
The commercialized blimps fly on helium, the fireproof gas. Leigh buys it from the U. S. Bureau of Mines, shipping it in by tank cars from the source well at Amarillo, Tex.

It costs \$7,740 to fill the 430,000 cu. ft. envelope of the larger airships with helium. The Navy allowed for a refill once a year. Leigh figures he can beat that considerably; a commercial company has to be more careful of wastage than an organization keyed to combat efficiency.

• **Leakage Over Jersey**—One cause of leakage is New Jersey kids. The blimps have to enter and leave the Lakehurst hangar at low altitudes. Few boys with .22 rifles handy can resist the impulse to shoot holes in such an inviting target.



Fleet Commander, Douglas Leigh.



Veterans for maintenance.

Pallet Pool

Nationwide service set up to keep pallets circulating among shippers, receivers eliminates cost of retrieving empties.

For many years, factories have solved in-plant materials-handling problems by using pallets—platforms or bins on which a large number of units can be stacked and moved around as a unit. But shipments outside the plant were handled on pallets by relatively few industries and companies.

War experience with Army-Navy shipping requirements taught many more manufacturers the advantages of shipping in unit loads on pallets (BW—Jan. 25 '47, p38). But there has been one big obstacle to their widespread peacetime use for shipping goods direct from production line to customer: How to get the relatively expensive empty pallet back to the shipper?

• **Pool**—To solve this problem, Lawrence Warehouse Co., San Francisco, has undertaken to establish a nationwide pallet pool for shippers and receivers. The pool will keep pallets circulating like railroad cars, cut out long hauls of empties. The company expects to have the pool in operation on the West Coast by May, on a nationwide basis by mid-summer.

Lawrence has set up a subsidiary, the Lawrence Universal Pallet Corp., to operate the exchange pool. Central office of the pool will be in Chicago.

• **Lease Arrangement**—Lawrence will manufacture a special standardized pallet in its own Oregon plant and lease this to shippers and receivers. It agrees to keep shippers supplied with a minimum backlog, and to take receivers' accumulations of empty pallets off their hands.

At the outset, shippers must lease a minimum of 1,200 pallets, receivers 600—which is a carload of empties. When a shipper's stock of pallets drops below 600, Lawrence will ship in another carload; when a receiver accumulates a surplus carload of empties, Lawrence will move them—to a neighboring shipper, or to one of its 27 branch offices for redistribution to shippers in the area.

Prospective users of the pallet exchange will include canning companies, chain stores, container manufacturers, paper mills, radio and telephone manufacturers, and automotive parts makers. Later, Lawrence hopes to make the pool available to smaller users, by leasing in lots of 50 for L.C.L. shipments.

• **Example**—When the pool is in operation, pallets might start their journey at a cannery in California, ship out loaded with canned peaches for a Chi-

cago wholesale grocer. When the grocer accumulates a surplus carload of empties, the exchange would direct their shipment to an automotive parts manufacturer in Detroit for a parts shipment to Philadelphia. The pallets might then move empty to Baltimore, there pick up telephone supplies for St. Louis. In St. Louis they might be transferred to a shoe manufacturer for shipment back to a West Coast city.

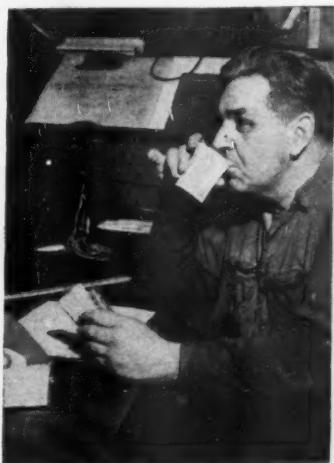
To keep the pallets circulating, each renter will file simple weekly reports showing the number of pallets on hand.

WHO WORKS MAY EAT



Overtime workers at the big Linden plant of Standard Oil Co. (N. J.) don't worry about where their after-hour meal is coming from. A deluxe catering service—via plant guard (above)—brings hot food right to their desks (below), at any point in the plant.

Complete meals are neatly packed in paper cups and boxes, served on paper plates. The special service is an offshoot of the plant's huge modern cafeteria, which daily feeds some 2,000 employees, stands by for late-work emergencies.



number shipped and where, and number received.

• **Terms**—Rentals are based on a five-year minimum lease, with option to renew for another five years. Rates are 15¢ a month per pallet for the first 20 months of the lease, 12¢ for the second 20 months, 10¢ for the last 20 months. After the first five years the rate for renewals drops to 5¢ per pallet per year.

Besides the monthly rental, the shipper also pays 30¢ each time he ships out a loaded pallet; Lawrence sets this as the average cost of accounting and return freight. Renters agree to keep the pallets in good condition while in their hands, using replacement parts purchased from Lawrence at cost.

Use of pallets is said to save money for shippers and receivers in a number of ways:

• Loading and unloading time is minimized; one man with a fork truck can unload a boxcar in 1½ hr., compared with half a day for a crew of four unloading by hand. This saves both handling costs and freight demurrage.

• Absence of hand-lifting cuts down injuries to workmen; reduces compensation claims.

• Unit loads require less handling and are less subject to shifting en route, reducing loss by damage in shipment.

• Units can be stacked higher, with less space between, which means better use of warehouse and freight-car space.

• **Lightweight**—The Lawrence pallet is made of kiln-dried Douglas fir, laminated in key spots for greater strength. It weighs only 55 lb. compared with 80 lb. to 100 lb. for ordinary wood pallets. The pallets are 40x48 in., with four-way entry for a fork truck. This makes it possible to load the pallets into a boxcar, refrigerator car, van, or a stake or flat-bed truck. Empty pallets nest for stacking.

The company is currently turning out 3,000 pallets a day at its Waterloo (Ore.) plant, expects to produce a million this year.

COLLEGE ON WHEELS

The New York Central R.R. and Purdue University have joined hands to give Indiana's farmers a taste of college. The Monon R.R. (BW—Mar. 29 '47, p18) is helping, too. The Central offered Purdue a free train to teach the latest agricultural labor saving methods. The university agreed to fill it up with down-to-earth exhibits of farm and home short cuts, take along specialists to answer questions. The train stopped at 43 towns on the New York Central, 13 more on the Monon. The "short course on wheels" attracted 66,415 rural folk. Its ultimate purpose: to help teach farmers how to make more money—and thus more business for the railroads.

Reverberations

Texas City's explosion will accentuate tank car and other shortages. But loss of critical materials not serious.

Texas City, devastated industrial war baby on the Gulf Coast's golden crescent, struggled back toward some semblance of normal life this week. Even as it buried its dead, ministered to its injured, and prepared to rebuild, the explosion's reverberations reached into a wide segment of the nation's economy.

• **Tremors**—These results of the catastrophe appeared certain:

• **Federal rules** on shipment of ammonium nitrate, the chemical which triggered the fire, are sure to be overhauled.

• **Some chemical and petroleum refining plants** will have to reschedule operations to offset losses at destroyed and damaged plants.

• **The national tank car shortage** will be accentuated; Gulf Coast plants receiving chemicals by water from Texas City will have to turn to supply sources with only rail connections.

• **Construction materials** must be channeled into the job of rebuilding the shattered city, whose population rose from 5,000 to more than 15,000 during World War II.

• **No Critical Losses**—But the first fears that the nation would be deprived of critically-needed industrial supplies

have mostly evaporated. Even the loss of Monsanto Chemical Co.'s \$9,500,000 styrene plant (built by the government at a cost of \$18,300,000) is not expected to hurt synthetic rubber or plastics output.

This holds true despite the fact that the plant's 72,000-ton annual production represented some 28% of national output.

• **Rubber and Plastics**—In the case of rubber, the nation's supply situation is good. Synthetic rubber is being stockpiled. More natural rubber is coming from the Far East. Two days after the Texas City disaster the Office of Temporary Controls raised to 67% the amount of natural that may be used in 6.50-in. tires. Formerly the limit was 23%. Natural rubber now averages 47% of all rubber products.

In the case of styrene for plastics use, a similar situation exists. The market for polystyrene plastics has been getting softer as other plastics became more plentiful. Actually, some producers have been concerned about overproduction.

• **Advantage**—But the Monsanto plant had one advantage. It was in position to ship styrene to synthetic rubber and polystyrene manufacturers by water. This saved tank cars. Now it may be necessary to use tank cars to keep styrene flowing into these plants. And such cars are scarce. This situation may continue until Monsanto rebuilds, as it plans to do. (Monsanto must also rebuild the polystyrene facilities which it had under construction at Texas City, as these were also lost.)

Union Carbide & Carbon Corp.'s \$60 million petroleum chemical plant was little damaged. Neither were several petroleum refineries in the area. What hurts these concerns most is the loss of tank farms and nearby dock facilities. But they expect to be operating at close to normal pace within a couple of weeks.

• **Tin Smelter Safe**—Fortunately, the one true "bottleneck" industry in the district escaped damage. That was the R.F.C.-owned tin smelter, located some ten miles from the blast area.

Property damage is estimated variously at \$60 million to \$125 million. Early this week \$50 million in insurance claims had been filed. How much will be paid out in life and accident insurance on the hundreds of persons killed and the even greater number injured is still pure conjecture.

• **The Big Question**—In Washington, in Texas City, in engineering circles, the big question was: What made the ammonium nitrate in the hold of the French cargo ship Grand Camp let go? On the answer to this question hinge possible steps to forestall similar future explosions.

Ammonium nitrate, widely used as a fertilizer, is not considered an explosive. But extreme heat (350 C) or detonation shock can set it off. And it becomes less stable when mixed with some other chemicals. Presumably the nitrate on the Grand Camp had been properly prepared and bagged. But there is doubt whether safety precautions for nitrate loading were being carried out.

• **"New" Explosive**—Nitrate formerly was subject only to fire safety precautions. Now it will certainly be classed as an explosive. Under Coast Guard and Corps of Army Engineers regulations, it must then be given special handling under more stringent safety precautions.



As the smoke of disaster clears, Texas City and the nation reckon the loss.

Enough Tin Seen By End of Next Year

America's tin-consuming industries had a few anxious hours last week, when the news of the Texas City holocaust first started coming in. For Texas City is the site of the only tin smelter in the entire Western Hemisphere (BW—Jan.30'43,p22). They breathed much easier when Reconstruction Finance Corp. announced that the invaluable plant had not been damaged.

• **In Balance Next Year**—Tin consumers have been feeling happier of late than at any time since war in the Pacific cut off our main source of the metal. They are finally beginning to have some hope of getting out of the woods. It won't be this year, but the end of 1948 may well

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Picture of a *MAINTENANCE MAN* cleaning Allen-Bradley Starter Contacts

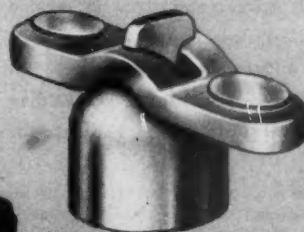
Cleaning starter contacts is one of the chores an electrical maintenance man just doesn't have to do when he has Allen-Bradley solenoid starters in his plant. The contacts in these starters are double break and are made of a patented silver alloy. They never need cleaning or dressing. The Allen-Bradley solenoid starter is the only starter that provides this time and production saving feature in ratings up to a maximum of 200 hp.

This is just another of the many exclusive features of the Allen-Bradley solenoid starter—features that have made it the most popular and also "the most widely imitated motor starter on the market." Write for information, Allen-Bradley Company, 1332 S. Second St., Milwaukee 4, Wis.

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Now and then some friend in industry asks me how we can rightfully claim to know so much about so many items. He looks over the long list of Houghton products (see below) and points out that they cover a big cross-section of industry, from lubricants to leathers to chemical compounds for metal and textile processing.

My reply is that our company is well departmentalized, each of our five major divisions being staffed by specialists who know thoroughly their end of our business.

Those technical men not only assist our field representatives in service work, but also conduct field research and evaluation of products developed in our laboratories. When they take new products into plants for

thorough trial, they are accompanied by the regular Houghton Man in that area, who stays on the job to follow through and report on results.

Thus the Houghton Man who calls on you has had an opportunity to be in on the ground floor in field testing of new products evolved to meet specific plant needs. He knows from personal experience what those products will do. Being the engineer type, he himself has to be "sold" on Houghton materials before he will offer them to customers.

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Aaron Carpenter

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LUBRICANTS

see supply in balance with demand the first time in more than seven years. Before the war, the Far East counted for around two-thirds of tin production (160,687 long tons in 1940 of a total of 231,700). It provided an even larger proportion of U.S. tin imports (114,165 tons in 1940 of a total of 124,810).

• **Bright Spot**—It is the gradual rehabilitation of the Far Eastern tin-producing areas that provides the bright spot for American consumers. Their total output last year was about 16,500 tons, tin content. Experts say production will be about 163,000 tons in 1948 (page 11).

We haven't received much tin from the Far East. But shipments have been increasing, and will continue to increase. Under an agreement signed April 4, Siam will release this year 16,000 tons accumulated there during the war. At least half will be shipped to the U.S., the rest to England and Australia. A few days later, RFC announced that it had bought some 1,000 tons of tin in Malaya for prompt shipment.

• **Dark Spot**—One dark spot in the picture is Bolivia. During the war, one principal dependence was on this country's comparatively low-grade ore; we took practically the entire output of its "small" producers. (The "big" producer, Patino Mines, traditionally sells only to England.) RFC had expected to get their entire output (estimated at 18,000 tons, tin content) again this year. But the Bolivian government has unexpectedly allocated 8,000 tons of this to Argentina, leaving only 10,000 tons available to the U.S.

FTC TABULATION

The Federal Trade Commission this week resumed one of its peacetime functions: collecting and analyzing financial operating statements of large manufacturers. FTC has requested profit and loss statements on the first quarter of 1947 from 8,500 companies.

The project was originated before the war, but was swallowed up by the OPA. The information was digested into industry totals and averages, with individual reports kept confidential.

FTC will not duplicate Securities & Exchange Commission functions by this survey (BW-Jan. 25 '47, p6). SEC will continue to obtain its own reports on corporations registered with national stock exchanges. FTC will survey other companies. Then the two agencies will collaborate in assembling and publishing the summaries.

FTC's list consists of: all non-registered manufacturers with assets of more than \$5 million; 75% of those with assets ranging from \$1 million to \$5 million; and a sampling of smaller corporations picked by random drawing.

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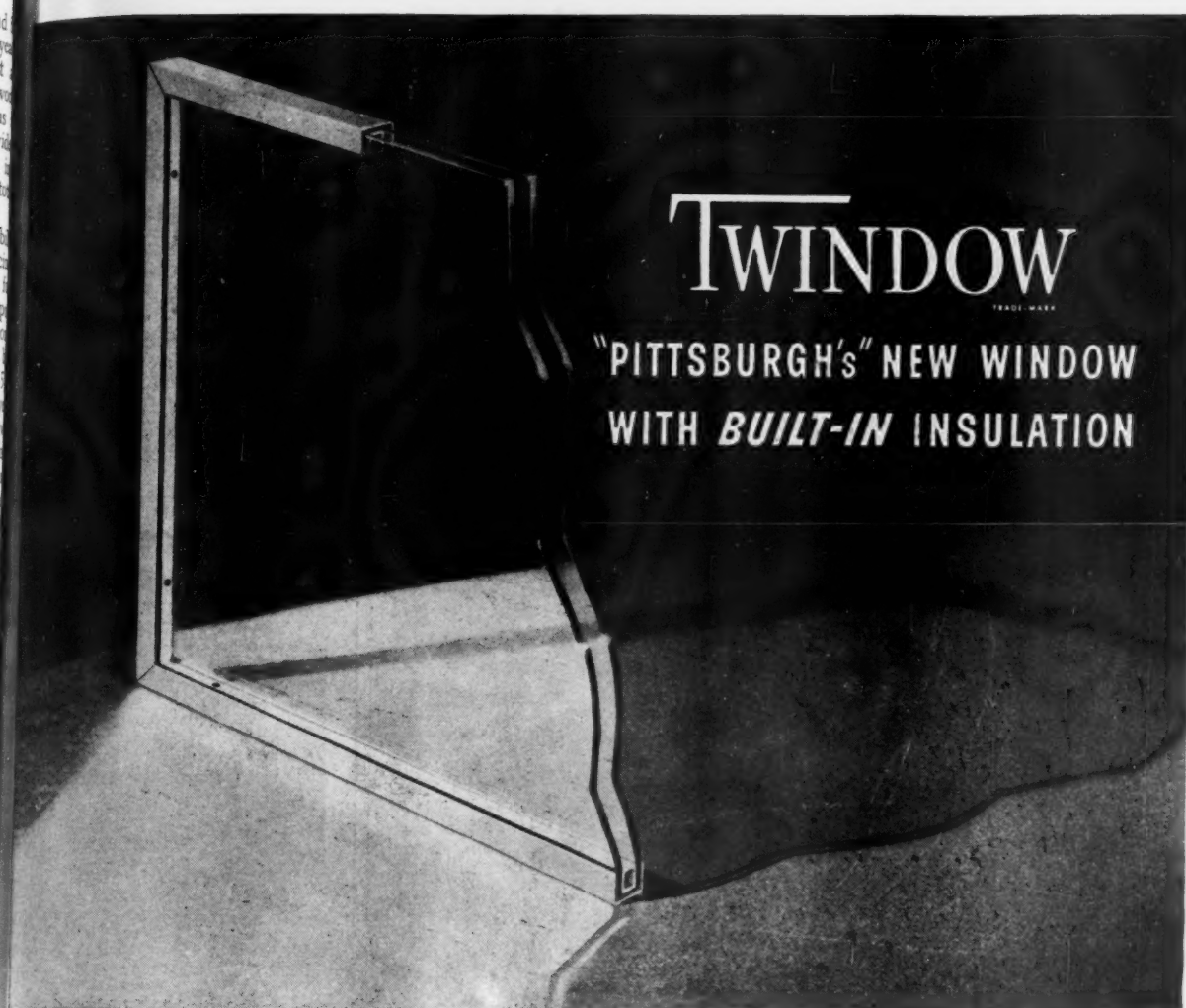
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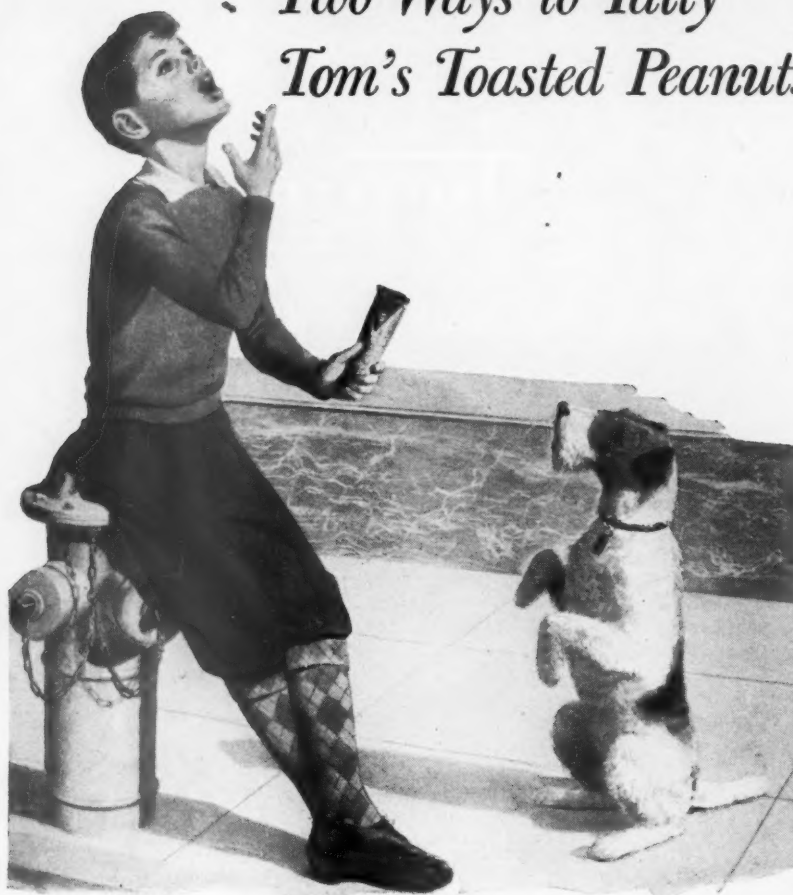
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Expansion Slows

Commerce Dept. cuts estimate of business spending for new plant, equipment. Minimum manufacturing past their peak

Spending for new plant and equipment in the postwar expansion programs of industry is not going to be as large as previously forecast.

At least, that is what the Dept. of Commerce concluded after a hasty check of some big scale industrial companies. They reported planned expenditures so much smaller that the department

PERISCOPE FOR STARS



A new sextant which works on the periscope principles enables a plane navigator to take star sights from the cabin. Developed for the Army by Kollsman Instrument Division of Square D Co., Elmhurst, N. Y., the device will be available for commercial use.

The instrument would eliminate the astrodome, one source of danger of blowouts in pressurized airplanes. The company also claims that use of the sextant would simplify procedure for taking navigational sights.

Part of the periscope is exposed through a universal joint mounting in the skin of the plane. The mounting is shock-proof and will stand a differential pressure of 15 p.s.i. When not in use, the sextant is removed from the mount and stored.

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1. Prevents wedging of rollers and pinch-out. Reduces roller end-rub, with its wearing friction. Holds starting and operating torque at a minimum.
2. Since only pure radial or pure thrust loads can be imposed upon any single bearing assembly, unit pressures are reduced substantially.
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ment has now reduced its own estimate on construction outlays in 1947.

• **Revised Downward**—Last January the Commerce Dept. figured that business would spend about \$3,640,000,000 for plant expansion in the first quarter of this year. Now, it has cut the total by \$200 million to an estimate of \$3,440,000,000.

More important, the new estimates show that capital expansion in mining and manufacturing hit its peak at the end of 1946. Throughout 1947, it will be slowing up steadily.

Railroads and commercial-miscellaneous (which includes trade, finance, communications, and nonrailroad transportation) will reach the top of their expansion programs around midyear. Utilities apparently will be spending money for expansion at an increasing rate throughout the year.

• **Double-Checked**—After the estimates were made up, the department was sufficiently worried to run a recheck. It picked about 30 of the larger firms that showed a steady downtrend in their planned expenditures for new plant and equipment. Field economists then arranged special interviews with these companies.

Conclusions were: these estimates are firm. They do not reflect troubles with prices or labor. Instead, they reflect the completion of planned postwar conversion. In the judgment of the companies involved, the capacity they are planning will be adequate for the anticipated market.

Revisions in the figures, moreover, were not made because the companies have become less optimistic about the future demand for their products. Consequently, if estimates of future market eventually have to be scaled down, the figures for planned expansion probably will shrink again.

• **The Figures**—Here is how the current estimates line up in comparison with past years:

Expenditures on New Plant and Equipment
By U. S. Business 1939-1947
(Millions of Dollars)

Year	Mfg.	Mining	R.R.	Elec. & Gas Util.	Comm'l & Misc.	Total
1939.....	1930	380	280	480	2130	5200
1940.....	2580	560	440	550	2360	6490
1941.....	3400	680	560	710	2840	8190
1942.....	2760	410	540	680	1720	6110
1943.....	2250	360	460	540	920	4530
1944.....	2390	500	580	490	1250	5210
1945.....	3210	440	550	630	1800	6630
1946						
Jan.-Mar.	1100	110	100	180	710	2200
Apr.-June	1400	130	130	230	910	2800
July-Sept.	1650	160	160	280	1060	3310
Oct.-Dec.	1760	160	180	360	1270	3730
Total	5910	560	570	1040	3960	12040
1947						
Jan.-Mar.	1620	160	210	350	1100	3440
Apr.-June	1530	150	280	420	1180	3560
July-Dec.	3020	300	510	920	2140	6890
Total	6170	610	1000	1690	4420	13890

Who Are Chicago's Most IMPORTANT Million?



Percentage of Chicago Daily News Families in Each Income Group:—

Over \$7,499 10.8%
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\$3,000 to \$4,999 . 39.6%
\$2,000 to \$2,999 . 23.3%
Below \$2,000 ... 12.4%

These figures were obtained by an independent survey, conducted exclusively among regular Daily News readers, representing a valid cross-section, house-to-house sampling.

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Here Are The Answers for SALES-MINDED Men

Chicago's most IMPORTANT million are actual people—not a statistic. They constantly desire the good things which American industry provides. Being active doers and earners, they can afford to buy—and buy—and buy. Having high standards of thinking, as well as high standards of living, they are the reader-friends of the Chicago Daily News. A million of them. Yes, far more than a million by a very conservative estimate.

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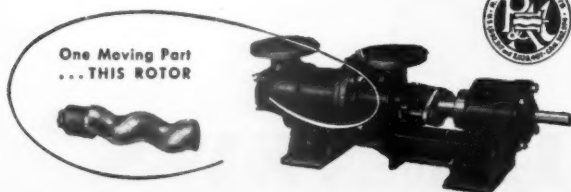
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Auto Crash Echo

Legislatures in 41 states consider bills that would put strict financial responsibility on drivers in auto accidents.

More and more state legislatures are reacting to the postwar plague of automobile crashes. Before they end their sessions this year, 41 will have considered new or more stringent automobile liability legislation.

• **Two Ways**—Basically, legislators were considering laws requiring either:

(1) Proof of financial responsibility—if a driver cannot pay damages within a specified time limit after an accident, his license is revoked—or:

(2) Compulsory motor vehicle insurance—a driver must prove he's covered by insurance before he can receive a license.

The legislative trend seems to indicate that financial responsibility laws had the lead over compulsory insurance measures.

• **Arguments**—Opponents of compulsory insurance laws contend that they tend to bring about excessive damage awards by juries—since juries often tend to "let the company pay." This, they argue, results in increased insurance rates.

Those who favor financial responsibility laws maintain that these tend to put a premium on safe driving.

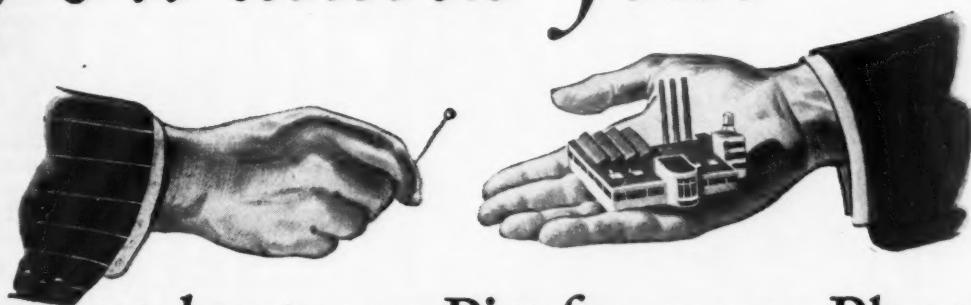
At present, Massachusetts is the only state that has a compulsory insurance law. But proposals of this kind have been introduced in 15 other states.

• **On the Other Side**—The outlook for financial responsibility laws looks much brighter. Fourteen states already have such legislation. Wyoming, Pennsylvania, North Carolina, and Idaho enacted similar bills in current sessions. The Nevada legislature sent a bill to the governor. Parallel bills are still pending in Delaware and Texas.

Back of the proposed legislation in many states was a draft for a uniform motor vehicle responsibility act. It was prepared by the National Conference on Street & Highway Safety, in cooperation with the National Conference of Commissioners on Uniform State Laws. Such a bill passed both houses in North Dakota, but failed in South Dakota, Montana, and West Virginia. A bill was approved in Iowa, but another was vetoed in Washington.

• **High Rates**—As an adjunct to liability legislation, several legislatures also tangled with the recent increases in automobile liability insurance rates (BW—Feb. 22 '47, p. 74). Massachusetts legislators proposed a bill that would have set yearly insurance rates at a flat \$10. Al-

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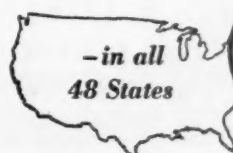
GREATER ECONOMY through centralized purchasing control and *One Sales Agreement*.

INCREASED OUTPUT and reduced costs—through

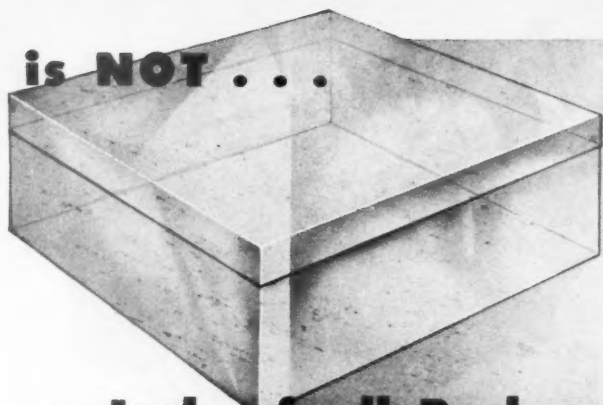
uniform quality products and the cooperation and services of skilled *Texaco Lubrication Engineers*.

FOR QUICK ACTION telephone the nearest of Texaco's more than 2500 Wholesale Supply Points or write The Texas Company, 135 East 42nd Street, New York 17, N. Y.

The Texas Company



This is NOT . . .



a Jack-of-all-Packages!

THIS transparent container, made of rigid sheet acetate, is a modern package designed to enhance the product. *But it is not the answer to every packaging problem . . .* As pioneer manufacturers of set-up and drawn acetate containers, we suggest that you look at your product in the light of these *pros* and *cons*:

Light weight — yes! Transparent Containers, with or without cardboard or metal bases, are ideal for merchandise of relatively light weight—products that should be seen, *but protected*.

Heavy — no . . . for while the material is tough and strong, it is not recommended for heavy merchandise. To package a flat-iron, for example, would require heavy gauge material with reinforcements—increasing the cost out of proportion to any advantage gained.

Small — yes! Ideal as containers for products when the requirements can be served with relatively small quantities of the material, in the lighter gauges.

Large — no . . . because costly. The unit price is relatively high compared with that of a folding carton—and this cost rises appreciably as the size of the container is increased.

Clear — yes! Remember, the product must be *seen through the container*. Any printing should be held to a minimum, and arranged so that it does not hide the merchandise.

Opaque — no! Do not attempt to reproduce your present opaque carton in this new material. "All-over" printing, or bold brand labeling, may reduce the natural sales-appeal of the clear acetate.

Moisture resisting — yes! Sheet acetate will protect contents from ordinary humidity.

Waterproof — no! You should not attempt to pack liquid in a rigid acetate container!

How to obtain a Sales-Engineered Package

If your product is one that can be View Pac-ed effectively, send it to us with its present container, if any. Give Quantities; Retail Price; Essential Labeling, including colors.

KELLOGG Container Specialists can then design a transparent package that will be *fashioned to glamorize your product*. Let us work together to get the most out of this attractive material *for you*.



P-73C

KELLOGG CONTAINER DIVISION



UNITED STATES ENVELOPE COMPANY
SPRINGFIELD 2, MASSACHUSETTS

CONTAINER MANUFACTURER • PRINTING • CONVERTING • Cellophane • Pliofilm • Polyethylene
Glassine • Foils • Vinyls • Rigid and Flexible Acetate • Coated and Specialty Papers

though the bill was withdrawn, it provided that the balance of the premium would be paid the insurance company from funds provided by a 2¢ to 3¢ per gal. increase in the gasoline tax.

The Illinois legislature proposed a law creating a five-member House commission to investigate the increases. A suit has been filed in Kentucky to prevent the hiked rates from going into effect.

• **Compensation**—An interesting sidelight to the situation is compulsory compensation proposed in Connecticut, Massachusetts, New York, and North Dakota. A Massachusetts bill would set up a state insurance fund to provide compensation for injuries and deaths due to motor vehicle accidents. The fund would come from contributions by vehicle users and dealers. The bill has been referred to the next annual session.

Connecticut proposes a 2-mill tax on gasoline to provide funds for an automobile accident relief bureau.

In North Dakota a bill died which would have provided payment of unsatisfied judgments resulting from motor accidents. The bill would have required vehicle owners to pay a \$1 yearly registration fee per vehicle, in addition to regular fees. In New York, a bill became law which established a security fund to pay claims in private vehicle cases in the event the insurance company becomes insolvent.

FARMING BY RADIO



Keeping tab on operations covering 19,000 acres is a lot easier for Seabrook Farms Co., Bridgeton, N. J., since the installation of new two-way radiotelephones. The farm headquarters maintains contact with 18 automobiles and pickup trucks scattered through the farm's nine vegetable and orchard divisions. From headquarters come directions for field operations; problems and progress reports go the other way.

Is Your Business Suffering From "HARDENING OF THE TRAFFIC ARTERIES?"



Do you pride yourself on the most modern plant equipment...and tolerate your worst bottleneck?

IN CHICAGO, a modern plant built in war-time could handle only two inbound and two outbound trucks at one time. In Baltimore, a new plant has only one truck tail-gate space for *everything* going in and out of the building. Ridiculous? Certainly—and *costly*, too!

TO REMEDY THE EFFECTS— GET AT THE CAUSE

Probably the smartest thing you can do is take a look around your plant,

right now. Check your shipping facilities . . . daily traffic . . . congested areas. Consider your normal plant expansion 2, 4, 6 years from today!

Quite often, slight remodeling will do the job. If major improvements are the only answer, remember, *your business* will benefit in the end with drastic savings of both TIME and MONEY. Don't let your business suffer another day with HARDENING OF THE TRAFFIC ARTERIES!

**IF YOUR DOCK
LOOKS LIKE THIS
YOU'RE WASTING
MONEY!**

**Antiquated shipping
and unloading space
consumes time...wastes
money...ties-up traffic!**

THE **AMERICAN TRUCKING** INDUSTRY
AMERICAN TRUCKING ASSOCIATIONS, WASHINGTON 6, D. C.



GOODS CAN'T MOVE FASTER THAN THEY'RE LOADED!



**Never
doubt
this...**

THE 'Load Lifter' Electric Hoist is the one to install if your lifting job is as tough as it can be. Give it capacity loads all day long—through the night, if you must—and next day it is ready for the same gruelling grind.

It can stand this service indefinitely, first because of its simple rugged construction and even more important, because of the exclusive special features not found in their entirety in any other hoist. Among them are:

- ... one-point lubrication
- ... two-gear reduction drive
- ... self-contained ball-bearing motor
- ... fool-proof upper stop
- ... improved automatic load brake

It is a safe hoist—safe for operator and for load. And no matter how difficult the conditions, if your loads are from 500 to 40,000 lbs. you can get safe, economical and dependable service from the 'Load Lifter'.

Tell us the lifting job you have to do. We will recommend the right 'Load Lifter' for your purpose.

'Load Lifter' Electric Hoists are built with lifting capacities of 500 to 40,000 lbs. in all combinations required for industrial needs. They are adaptable to almost every working condition within their capacities. Send for Catalog No. 215.



'LOAD LIFTER'
Hoists

MANNING, MAXWELL & MOORE, INC.
MUSKEGON, MICHIGAN

Builders of 'Shaw-Box' Cranes, 'Budgit' and 'Load Lifter' Hoists and other lifting specialties. Makers of Ashcroft Gauges, Hancock Valves, Consolidated Safety and Relief Valves and 'American' Industrial Instruments.

READERS REPORT:

Inquisitors

Sirs:

Thousands of us want to join forces with your undisclosed author of the letter headed, "Inquisitors," in Business Week issue of Apr. 5, 1947 [Readers Report": p. 46]. Ninety-nine per cent of us appreciate the necessity for high income taxes and are willing and glad to pay them. War is extravagant and there is no possibility of escaping the extravagant consequences.

We can engage experts in these matters to fathom the dazzling complexity of the income tax returns. We can engage clerical assistance to handle the plethora of tax forms. We can dig and scrape and collect enough money to pay off the income tax obligations. But I have discovered no device to which I can resort to cope with the field man, the inquisitor.

He walks into your establishment as though he had an engraved invitation. He roots around into the sanctity of your most personal and private affairs. He unearths some item in the minutiae of your accounts, and as the "law, prosecuting attorney, court, judge, and jury, all rolled into one," sentences you and you are hooked. He puts on his hat, walks out your front door on his merry way, continuing the inquisition. Now it is up to you to overcome his charge, and you start out with two strikes against you.

The several pioneering individuals had perhaps best have their names withheld, but at the proper time, I would certainly be pleased to join a properly organized movement against the inquisition.

Name Withheld

Jack Pot Bonus

Sirs:

Your interesting report on how the Jack Pot Bonus Plan was adopted by Baker Brothers, Inc., and made part of its agreement with the Mechanics Educational Society of America [BW—Feb. 22'47,p92] was inaccurate in one detail. It stated that MESA had demanded the plan.

As a matter of fact, the plan was evolved in the course of negotiations as a happy compromise of the original wage demands of MESA and was first suggested by the company. During its first 60 days of operation, it has been enthusiastically supported by both the company and MESA.

(Signed for Baker Brothers, Inc., by A. L. Baker and for MESA by Earl S. Streeter.)

Several employers are now facing demands that they adopt this interesting plan of incentive-pay on which Baker Brothers and other companies have taken the leadership. (For a description of a typical plan, see BW—Oct.26'46, p106).

The Labor Share

Sirs:

In the recent Trend entitled, "The Labor Share" [BW—Mar.15'47,p120], you comment on a widely held misconception of the share of labor in the cost of things, but, by not telling the whole truth, you tend to contribute to the spread of that misconception.

The bare fact is that all costs are labor of one kind or another. All the money that is paid out in the conduct of a business eventually finds its way into some personal pocket, whether the initial payment is for direct labor, indirect labor, materials, services, taxes or a share of the profits.

That statement can be proved in two ways. One is by laboriously tracing all such payments back to the point where they become a form of wages or income. The other is by considering that the only agency which requires payment for anything is the human animal. Other forms of nature demand no recompense—no living—no support.

When this simple fact is understood, it is evident that any increase in personal income which is not accompanied by a corresponding increase in personal



PRESENTATION

Palmer Hoyt, publisher of the Denver Post, receives from Business Week's Denver representative the painting which appeared on the cover of the Mar. 15, 1947, issue. He "had heard about it from all over the country."



FREE!

52 PAGES of facts, figures and photos on the amazing NEW West and why Metropolitan Oakland Area is the best location from which to win its rich fast-growing markets. Write for this free book!

MILD

OUR CLIMATE works *with* you. The mean temperature is 56.6° F., very close to the ideal for maximum efficiency. And the spread between mean maximum (for July) and mean minimum (for January) is only 29°—between 72° and 43°.

This means big savings in plant construction, no double walls and heavy in-

THE YEAR 'ROUND

sulation required. Savings in heating equipment and heating costs, in air conditioning and cooling systems.

Savings in manhours, too. No extremes of temperature, no snow and sleet and slush—practically no time lost because of inclement weather. Up to 15% more production per manhour.

Write for This Free Book!

There are many more just as outstanding reasons for locating your western plant in Metropolitan Oakland Area. Learn about them and the profit opportunities offered by the NEW West. Write for "How to Win the Markets of the NEW West" today.

METROPOLITAN OAKLAND AREA
387 Chamber of Commerce Building
Oakland 12, California



The NATURAL Industrial Center of the NEW West

6704

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ANOTHER
BOSTITCH
EXAMPLE

Wouldn't you like to multiply your production by 5?



"Makes heavy work
light—even for girls"

This manufacturer did...and more! By fastening aluminum panels with a Bostitch Metal Stitcher, this maker of garage doors eliminated such slow methods as drilling holes and driving self-threading screws...and

increased production from 50 doors to 500 doors a day.

In thousands of other cases, too: from the manufacturer who attaches wire screen on foot valves for gasoline pumps, 4 times faster... to the famous mattress company that stepped up production 44%, sealing shipping cartons... Bostitch saves time, trouble and money.

Whatever the materials you fasten: metal, cloth, paper, wood, leather,

plastics... you may be able to fasten it better and faster with wire... using one of the 800 Bostitch machines. Skilled research engineers and 250 field men in 91 key cities offer you the benefits of 50 years' Bostitch experience in solving fastening problems.

For specific data about representative models of the world's most complete line of stitchers, staplers, hammers, tackers, etc., send coupon today.

BOSTITCH

AND FASTER
fastens it better with wire

ALL TYPES OF STAPLES APPLIED BY MACHINES
ALL TYPES OF MACHINES FOR APPLYING STAPLES

Bostitch, 376 Mechanic Street, Westerly, R. I.
(Bostitch-Canada, Ltd., Montreal).

Please send Broadside B-188 on Bostitch time- and money-saving machines ☐:
Metal Stitcher Folder B-149 ☐.

Name.....

Company.....

Address.....

productivity must result in decreasing the real wages of some other person or persons.

Edward N. Horr

Edward N. Horr & Co.,
Cleveland, Ohio

It is true of course that, if one traces the elements in the cost of an article (including return on capital that's used in its production) back to the time when man emerged from the primordial slime, there is no part of its value that's not a payment for labor somewhere along the line. But our effort was limited, in the time sense, to the present. What we wanted to do was to point out that the return on capital averages less than 25% of national income, and not 84%, as those not disinterested people imply who talk of a 16% wage bill.

In dividing national income 75-25 between return on work performed and return on capital, we stayed within the bounds of what can be justified arithmetically. It may well be that 75% is on the conservative side. Some estimates put it as high as 85%. Even at 75%, the remainder, return on capital, is much smaller than many people realize.

Sources

Sirs:

I was interested in the Trend showing the share of the national income which goes to employees, proprietors, etc. I wish you could let me know where these figures were obtained.

K. W. Pollock

Key Work Clothes,
Fort Scott, Kan.

The basic figures came from data furnished by the U. S. Dept. of Commerce. Statistics on national income by distributive shares appeared in the Survey of Current Business for February, 1947, page 8. That issue carried a detailed analysis of national income in 1946. If you'd care to get a copy, you can do so by writing to Superintendent of Documents, United States Government Printing Office, Washington 25, D. C.

Not Neglected

Sirs:

Like many readers of Business Week, I am waiting patiently for your comment and information, which I feel long past due, on the new Tucker car.

R. C. Derby

Johnson City Transit Co.,
Johnson City, Tenn.

Since January, 1946, Business Week has carried eight news reports on the Tucker Torpedo and it will carry more as there are further newsworthy developments to report.

AVIATION

Plan for New York's Airports

Port of New York Authority to take over operation of city's three fields, spend \$100 million to complete Idlewild, rehabilitate LaGuardia, Floyd Bennett. Offer for Newark Airport pending.

New York City's airport problem is not much different from that of most other municipalities. But because the city is bigger, its problem is bigger.

• **Authority Takes Over**—Last week, New York turned over to the quasigovernmental Port of New York Authority the headaches associated with enlarging, financing, and operating its airports. The 50-year lease, arranged after eight months of investigation and negotiation, is effective June 1. Before that date, the city must persuade airlines and oil companies to release it from obligations under existing contracts.

The Authority is a bi-state agency (New York and New Jersey) charged with developing and operating terminal and transportation facilities in the New York Port area. It now operates vehicular tunnels, the George Washington Bridge and several other bridges, a grain terminal, and other civic projects. It has plans for a union bus terminal in midtown Manhattan.

• **Eye on Newark**—The airport deal is the first of two major steps the authority plans to assure coordinated development of air terminals in the area. Still under discussion with city officials of Newark, N. J., is the leasing of the Newark airport (BW—Aug. 10 '46, p48).

When and if this deal is completed, Newark airport will be operated as a

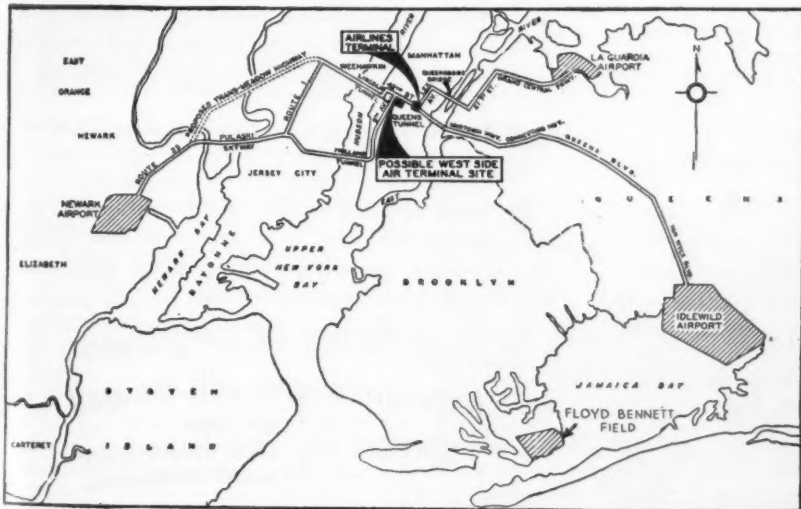
unit with New York City's LaGuardia Field and its partially built Idlewild Airport, plus the Navy's Floyd Bennett Field. (The city has permission to operate Bennett for commercial planes to relieve congestion at LaGuardia.)

• **Big Investment Needed**—The lease with New York City provides for an ultimate investment of \$200 million by the authority. Of this, \$100 million will be spent by 1954 to complete Idlewild, rehabilitate LaGuardia, and put Bennett into shape.

The authority will pay the city a minimum of \$350,000 a year for the first ten years, \$450,000 a year thereafter. When the net operating revenue of the air terminals reaches 5% of the total outstanding debt, the rent will be either the minimum guarantee or 75% of net revenues, whichever is greater.

• **Income Sources**—To boost revenues, the authority will exploit the terminals to the maximum. Fully two-thirds of its take is expected to come from non-airline sources; concessions will range from plane and motor fuels to banks, from restaurants and movies to barber shops and valet services.

Five years from now it expects to be taking in more than \$8 million annually, by 1960 close to \$10 million annually. It sees 26,000 persons working at Idlewild by 1960, another 11,000



From the vantage point of four encircling airfields, Port of New York Authority hopes to work out a solution to Manhattan's urgent airport problem.

BUSINESS WEEK • Apr. 26, 1947



A typical Sly Dust Collector inside building with hopper discharge through floor. This filter collects the dust from grain handling equipment. Similar installations collect alfalfa meal.

SLY Dust Control Systems are used to control more than 100 kinds of dusts in 57 industries in all kinds of manufacturing operations, such as crushing, grinding, conveying, loading, separating, and mixing various kinds of materials.

Sly Dust Collectors are not expensive either to install or maintain. They save thousands of dollars yearly in plant maintenance and improved production, also in the recovery of valuable materials—often repaying their cost in a comparatively short time. Over 5000 installations.

Ask for Bulletin 98, 20 pages of useful information on dust control, and tell us your problem.

5 SLY SUPERIORITIES

1. Greater filtering capacity—2. Taut bags for better dust removal—3. Bags more easily replaced—4. Automatic control—5. Simpler shaker mechanism saving operating and maintenance costs.

THE W. W. SLY MFG. CO.

4749 Train Avenue • Cleveland 2, Ohio
Sly Engineers located in New York • Chicago
Philadelphia • Detroit • St. Louis • Milwaukee
Toronto • Minneapolis • Cincinnati • Houston
San Francisco • Rochester • Los Angeles
Birmingham

SLY

PIONEERS AND LEADERS IN
Industrial DUST CONTROL



Overheard on a Week-End Cruise

MAN WITH YACHTING CAP: What made you decide to let *The Travelers* handle all of your employee insurance?

MAN WITH BINOCULARS: I think placing all our business with one company will mean faster settlement of claims. I know it will simplify handling in our office.

MAN WITH YACHTING CAP: "That makes sense. Now why did you pick *The Travelers*?"

MAN WITH BINOCULARS: "They're set up to give us better service. They have offices all over the country, you know. I looked at a map they had and there's a *Travelers* office near each of our branches."

MAN WITH YACHTING CAP: "That's convenient. Do your employees like the way *The Travelers* men handle their claims?"

MAN WITH BINOCULARS: "They seem to. And it stands to reason *The Travelers* must do a pretty good job. I understand from Fred that they take care of more than half a million employee claims every year."

MAN WITH YACHTING CAP: "Then they ought to know employee psychology. How are their rates?"

MAN WITH BINOCULARS: "We get a good break there, too. By using *The Travelers* safety engineering and sickness prevention services, we've been able to earn substantially lower rates."

MAN WITH YACHTING CAP: "Maybe we ought to consider *The Travelers* ourselves."

MAN WITH BINOCULARS: "Good idea. I'll bet they will be able to set up exactly the kind of a plan you need. They have company specialists work on plans with your *Travelers* agent or insurance broker."

On all forms of Employee Insurance you will be well served by The Travelers

The Travelers Insurance Company, The Travelers Indemnity Company, The Travelers Fire Insurance Company, The Charter Oak Fire Insurance Company, Hartford, Connecticut.

at LaGuardia, and 24,500 at Newark airport.

• **Immediate Problems**—For the moment, however, its problems are many and pressing. It must get Floyd Bennett Field into use as quickly as possible for domestic air carriers. LaGuardia, its capacity already overtaxed two years after its completion in 1939, needs a major repair job. The whole eastern end is sinking into Flushing Bay.

Idlewild must be put into service quickly to handle international air transport, prevent removal of air traffic, service, and maintenance to competing air centers. The authority hopes to get Idlewild operating with temporary facilities this year.

• **Bonds Coming**—Financing will be accomplished through the authority's own

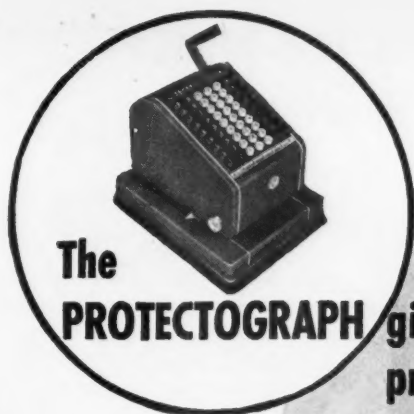
FOR QUICKER DELIVERY



Newspaper delivery via Aeronca plane from publishing plant to out-of-town carriers is a year-round habit with the Blackwell, Okla., Journal-Tribune.

The plane drops the bundle to a waiting boy. He is thus able to deliver to his regular route as soon as the Blackwell carriers deliver to subscribers in the paper's home town.

Publisher Phil McMullen says that packaging papers a little more heavily than ordinary mail bundles is the only extra requirement for making air drops. On wet days bundles are wrapped in tarpaulin squares.



The PROTECTOGRAPH gives you 6-Way protection—against:

1. Amount-line Alteration
2. Forgery of Maker's Signature
3. Forgery of Payee Endorsement
4. Alteration of Payee Name
5. Alteration of Date
6. Alteration of Check Number

Checks with amount lines criminally altered cost American business unbelievable losses every year. Together with forgery and other alteration, they are responsible for a yearly tribute to the check artist's nimble fingers and daring skill totaling hundreds of millions of dollars.

Every check—the checks you write, those your company writes—has six chief points of attack. Yet the Protectograph—with its accompanying indemnity policy—protects you against criminal tampering at every point!

The Protectograph shreds amount-lines into checks through a two-color ribbon—clearly and

legibly. Your checks are given immediate mechanical amount-line protection—as well as a businesslike appearance. Add to this an automatic ribbon-inking mechanism, forged brass type, and other features that provide bank-account safety and you can understand why the Protectograph is standard equipment today in many thousands of business offices throughout the world.

If you want all the facts on how to guard your disbursements with the Protectograph, just send us the coupon. We'll gladly see that you receive the information—without obligation.



ROCHESTER SALES OFFICES IN
NEW YORK PRINCIPAL CITIES
DISTRIBUTORS THROUGHOUT THE WORLD

THE TODD COMPANY, Inc., Rochester 3, N. Y.

Please give me the facts on the Model 33 Protectograph. I understand this entails no obligation on my part whatever.

Company _____

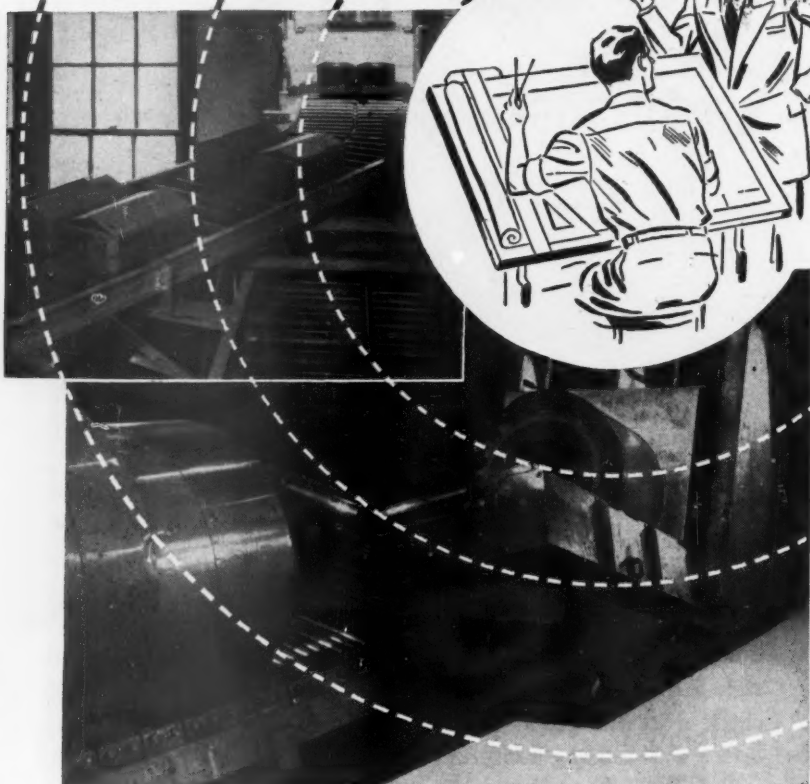
Address _____

City _____ County _____ State _____

By _____

BW-4-26-47

**Whether it weighs a few pounds
or many tons — Handling it
is a MATHEWS Problem**



It might be a carton of refreshing beverage or a massive coil of steel — a fine electric shaver or a 10-ton ingot mold flask. Whatever it weighs, there is Mathews equipment which will handle it. On the boards today in Mathews Engineering Departments, systems are being developed for handling light cartons of bottled goods, and others which will handle coils of strip steel weighing 25 tons. No matter what the product weighs, if it must be handled efficiently, there are Mathews Conveyers to do the job. Mathews continuous flow systems, made up of gravity and power conveyers, and special conveying machinery, are helping manufacturers in light and heavy industry to improve their production performance.



MATHEWS CONVEYER COMPANY
ELLWOOD CITY, PENNSYLVANIA

MATHEWS CONVEYER COMPANY WEST COAST
SAN CARLOS, CALIFORNIA
MATHEWS CONVEYER COMPANY, LTD.
PORT HOPE, ONTARIO

Engineering Offices or Sales Agencies in Principal American and Canadian Cities

bonds. For perhaps ten years there will be secured only by revenues from airport operations and by the project's rate share of the authority's general reserve fund. A first issue of \$25 million of bonds for airport purposes will be floated late this year.

The city's decision, to turn its field over to the authority, throws into discard the infant City Airport Authority. Established last year, this body found its plan of operating and financing opposed by the airlines. The Republican state legislature, which had the final say on increasing the city's debt limit, also balked. Result: Two of the three Airport Authority members resigned.

AIR CARGO GUIDE

Cargo shipment by air is the baby of the air transport industry, born only within the last few years. But the baby has grown fast. Today a would-be shipper of freight by air has a huge amount of varied information to wade through before he can decide how to pack and ship his goods, and how much it will cost.

To make it easier for him, Air Cargo Publishing Corp., 215 W. 5th St., Los Angeles 13, has compiled a standard route and rate guide. The guide brings together all available information on such items as scheduled, nonscheduled, and charter services, and their rates for freight and express; rules for packaging; document and customs requirements for foreign shipments; and the type and cost of pickup and delivery services in all cities and towns where they are available.

The guide is offered on a subscription basis, not sold. Annual rate is \$25 for either the domestic edition (covering U. S. and Canada) or the international, \$45 for both. A year's service on all changes and additions is included.

Plan is to distribute the guide through franchised representatives all over the country. Pending such organization, the guide can be obtained direct from the publisher.

PRODUCTION HOLIDAY

North American Aviation, Inc., has called a 30-day holiday in the production of its four-place civilian plane, the Navion.

During the shutdown, the firm said it will conduct a survey to estimate sales possibilities to major industries. Company officials are basing their future sales hopes on purchases of Navions for executive and sales use. Like other lightplane manufacturers (BW-Dec. 7 '46, p. 44), they now place little hope in profitable personal-ownership sales.

North American has an accumulation of component parts that represent a six months inventory.

Answer to the question...

"WHERE CAN WE CUT COST?"

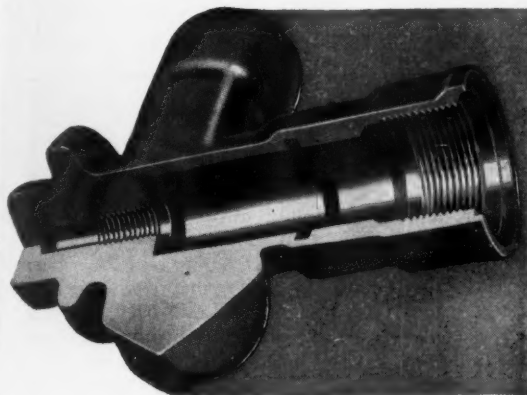
Where wage rates conform to industry-wide standards, and raw material costs tend to be equal for everybody, there is only one place to save, and that's TIME.

Let a faster automatic machine, with improved tooling, turn out more parts per hour,

and you have something that soon shows up on the cost sheet.

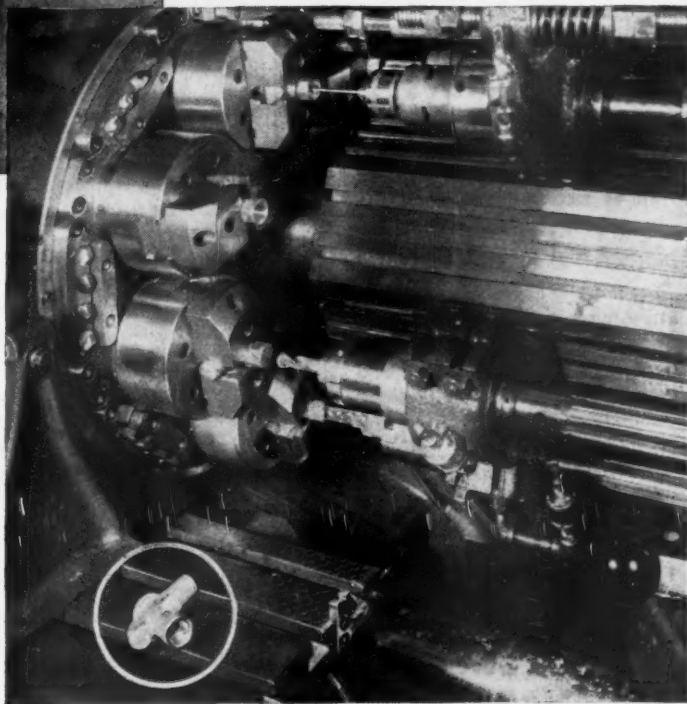
Acme-Gridley 4, 6 and 8 spindle Chucking Automatics are taking care of this responsibility in many plants producing identical precision parts in quantities.

Would you like to see examples of cost-saving time-saving—on the same kind of parts you turn out? We are ready to show you instances, and tell you how to achieve similar results.



Here is one example...

Forged brass valve body, requiring 9 separate operations, completely finished in 13 seconds machine time, 276 pieces per hour, on 6" Acme-Gridley 8 spindle Chucking Automatic—an important kind of production record.



ACME-GRIDLEY BAR and CHUCKING AUTOMATICS
Maintain accuracy at the highest spindle speeds and fastest feeds modern cutting tools can withstand.

THE NATIONAL ACME COMPANY

170 EAST 131st STREET • CLEVELAND 8, OHIO



the
**State of Missouri
offers a premium
in Industrial
Opportunities!**

If you are planning a move...a new parent plant or branch...it will be good business judgment to investigate special advantages offered by the State of Missouri.

You'll be interested in Missouri's new, up-to-the-times Constitution which favors industry...low taxes...plentiful labor, skilled and semi-skilled...rich markets...abundant water, power and raw materials...unexcelled transportation...good climate...friendly folks in 350 modern communities ready to welcome you.

Specialized, confidential service to industrialists. Write to Missouri State Division of Resources and Development, Jefferson City, Mo., Dept. T-53.



(70)

CITIES

Syracuse Makes a Comeback

City changes its industrial complexion, becoming widely diversified manufacturing area. From a tragic 1932 low, it has climbed to a leading position in upstate New York's economic life.

In the bleak days of 1932, most of the nation's industrial fires were banked for the economic night. Some continued to burn low, leaving thin trails of smoke across the industrial sky. Others went out, leaving whole communities nearly prostrate.

• **Death and Life**—One of these communities was the city of Syracuse, N. Y. By 1932, its average employment had skidded to 51.6% of the 1925-27 average. Payrolls slithered to 37.9%. Said the New York Dept. of Labor: Prob-

ably no other area of the state was "so drastically affected by the depression of the thirties." Like the Sicilian city for which it was named, Syracuse was all but dead.

From that economic toboggan, Syracuse has made one of the remarkable comebacks of United States industrial history.

Today average weekly earnings of its production workers are the highest of any in upstate New York (box, page 46). Its total employment is ahead

Increase in Carloadings Forecast

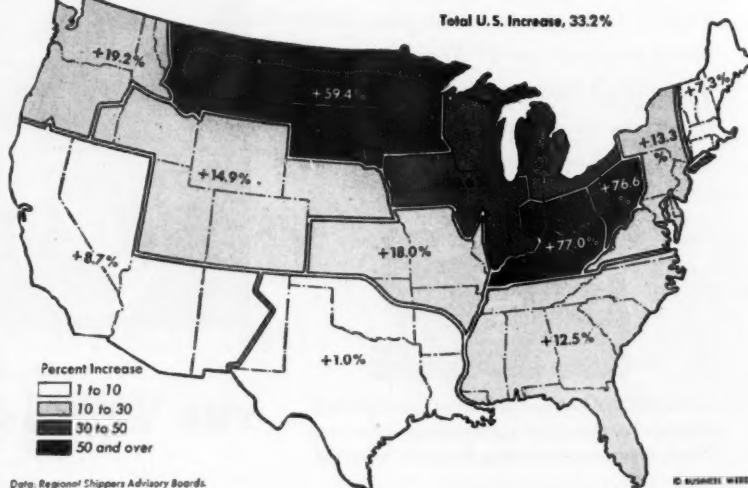
Railroad carloadings are one of the most sensitive indicators of the difference between a strike-ridden economy and one that is comparatively free of labor trouble.

In April and May of last year, the coal miners were out on strike. At the end of May, the railroads themselves were tied up when engineers and trainmen walked out for 48 hours. As a result, carloadings of 32 major commodities in the second quarter were only 6,118,419—the lowest quarter since the start of the war.

This year, the regional shippers

advisory boards of the Assn. of American Railroads are predicting total loadings of 8,149,699 for the second quarter, up 33.2% over 1946. Coal movements will account for a gain of 76.6% over last year in the Alleghany board's territory and an increase of 77% in the Ohio Valley territory. Ore movements will boost carloadings 59.4% in the Northwest board's area (the Mesabi range).

The map shows the percentage increases forecast for carloading in each of the country's 13 principal districts:





**You hired him as
an **E. E.** but
he's a mighty
good **C. R.** too**

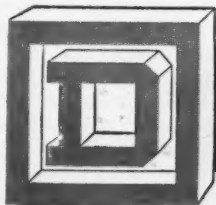
● **YOUR HEAD ELECTRICAL MAN** is an Electrical Expert. He's a Cost Reducer, too. And right now is a particularly good time to let him prove it. Here's why—

During the tremendously increased production of recent years, there has been a sharp increase in the amount of power required for automatic machinery. Most electrical systems have been operating under abnormal stress. They are overloaded, unreliable and poorly located or

inflexible with respect to present machine locations. Excessive "down time" and higher production costs are certainties.

Check with your head electrical man. If he has a problem, a Square D Field Engineer will be glad to work with him in solving it.

The counsel of experienced Square D Field Engineers is available, without obligation, through Square D offices located in 50 principal U. S. and Canadian cities.



Wherever electricity is distributed and controlled

SQUARE D COMPANY

DETROIT

MILWAUKEE

LOS ANGELES

*Low in Price
Easy to Use
Convenient*

No training or experience necessary. Just push down the keys and pull the handle. That's all there is to it.



Smith-Corona

a modern

adding machine

with a famous old name

YOU'LL be surprised how easy it is to add on a Smith-Corona. You will get your totals quickly and accurately, too.

When you press the keys they stay down until you pull the handle, thus you are able to see each item before it is entered and if a correction is necessary you can clear a single digit or the entire keyboard. Ciphers are entered automatically, saving you time and effort.

At a touch of the total key and a single pull of the handle your total appears in large, easy to read type, fully punctuated and followed by a total signal. In one motion the new tape ejector moves the tape to the tear-off position and, on the next pull of the handle, a clear signal will appear on the tape.

With the Smith-Corona there is no mental effort, no doubt about accuracy, no experience required. And 25 years of hard usage have proved

Smith-Corona adding machines to be practically trouble free.

The handy desk size machine takes up little room, is easily carried. Ideal for offices, retail stores, service stations, professional offices, farms, homes, hospitals, schools, clubs and restaurants.

At all Smith-Corona branches and at leading typewriter and office supply stores everywhere. Priced at only \$93.50 plus tax.

All these features:

- One hand operation
- Individual column and entire keyboard clearing keys
- Repeat key
- New single-motion paper ejector
- Self-aligning tape
- Writing table under tape
- Decimal point and comma punctuation
- Clear signal automatically printed on first stroke
- Sub-total, non-add and total signals
- Capacity . . . keyboard to 99,999.99
- . . . total to 999,999.99

Companion to Smith-Corona office and portable typewriters

Made by
L C SMITH & CORONA TYPEWRITERS INC
Syracuse NY

High Pay in Syracuse

The prosperity of Syracuse is best shown by the earnings of its factory workers. Recently, their income has been running consistently ahead of that of workers in other upstate industrial areas, as shown by these figures supplied by the New York State Dept. of Labor:

Area	Average Weekly Earnings		
	Mar. 1947	Feb. 1947	Mar. 1946
N. Y. State (excl. N. Y. C.)	\$49.40	\$48.64	\$43.37
Binghamton			
Endicott-Johnson City	50.15	50.19	44.12
Buffalo	52.03	51.26	46.18
Elmira	49.66	50.27	43.41
Kingston-Newburgh			
Poughkeepsie	47.34	47.10	40.67
Rochester	51.16	49.77	45.92
Syracuse	52.88	51.38	47.45
Utica-Rome-Herkimer-Little Falls	50.54	49.93	43.87
Albany-Schenectady-Troy	48.51	48.65	39.60

of the wartime peak, while employment in manufacturing has soared 62% since 1940. Retail trade has boomed. But above all towers the amazing change in the industrial complexion of the city.

What's more, Syracuse (estimated pop.: 222,809) is convinced that this time it is up to stay. Reason: The city is not a bloated war-boom town, but a prosperous peacetime industrial community.

• **Salt City**—Syracuse's troubles date back to the end of the last century. It was then a one-industry town, with a thriving salt business built around natural salt springs on the shores of nearby Lake Onondaga. Its single industry gave the "Salt City" its nickname—and its first depression. The productivity of the springs declined, richer salt sources were discovered elsewhere, and the business collapsed.

Today not one of the old salt companies remains.

At the turn of the century, Syracuse enjoyed a brief flurry as the "Detroit" of the blossoming bicycle industry. This marked the start of an era of industrial expansion, touched off by the transmission of Niagara Falls power into the area in 1906.

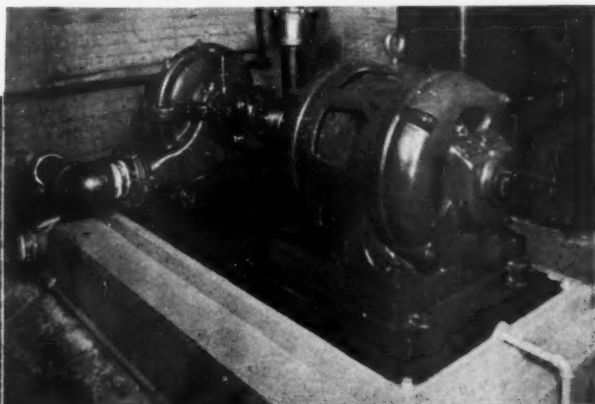
The Franklin automobile moved in, gave Syracuse its biggest single manufacturing plant. New iron and steel processing mills provided work for the greatest number of local industrial workers. Syracuse boasted that it was "the nation's No. 2 steel city."

• **Stagnation**—But disaster lurked in this proud reliance on autos and steel. By

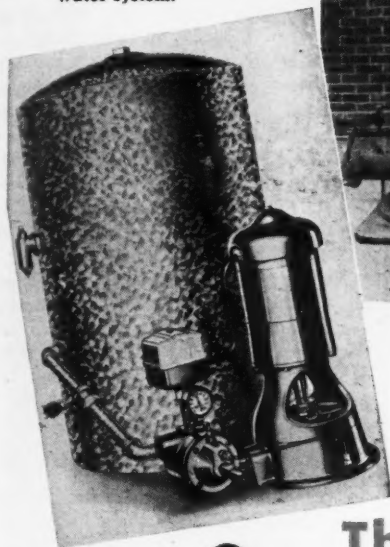
Over a Million Century Pump Motors in Service is

Century 100 horsepower
vertical motor driving a
city water pump.

Century 1/2 horsepower ver-
tical motor driving a farm
water system.



Century 50 horsepower squirrel cage motor driving
an industrial pump.



Proof

of

Their Unusual Dependability, Satisfactory Performance



Century pump motors are driving all types of pumps that supply water — or other liquids — for farms, milk plants, food processing, factories, water works and irrigation projects.

One of the primary reasons for the exceptional acceptance of Century pump motors is that their starting and operating characteristics are particularly adapted to the operating requirements of pumping service.

In addition, Century motors are insulated to resist dampness.

Century motors are built in popular horsepower sizes for all pump applications—and for other industrial, commercial, and appliance applications.

Specify Century motors for all your electric power requirements.



524

CENTURY ELECTRIC COMPANY • 1806 Pine Street, St. Louis 3, Missouri
Offices and Stock Points in Principal Cities

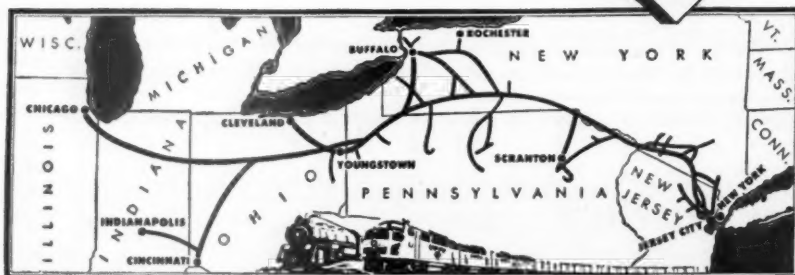


Look at the map below of the Erie System—over 2000 miles of railroad. Picture as many as 30,000 freight cars moving back and forth over these tracks at any one time. Every day, about 4000 cars are delivered to consignees and to connecting railroads; every day about 4000 more cars are received by the Erie from connecting railroads and on-line shippers.

Yet with all those constantly moving cars, the Erie can tell a shipper promptly *where* his car is, and *when* it is due to arrive at destination! This service is made possible by a unique and modern teletype system . . . typical of *progressive, precision* railroading . . . the kind of railroading which in this and many, many other ways means *better service* for Erie shippers.

Erie Railroad

SERVING THE HEART OF INDUSTRIAL AMERICA



the end of 1934, the Franklin auto plant had gone into bankruptcy. Shut-downs and transfers had cost Syracuse most of its once extensive gear manufacturing industry. Much of the other industry that didn't fold up moved away. Remington-Rand transferred its typewriter plant, the New York Central its accounting offices. Industrially, Syracuse was a stagnant, badly stricken city.

• **New Industries**—But in 1936, some of the industries began to return. More important, new industries began coming in. Chief among these was Carrier Corp., which arrived in 1937. It is now the biggest employer in the city, with nearly 5,000 workers hewing down a huge \$31 million backlog of unfilled orders.

Then came the war—and with it expansions of a highly durable nature.

In 1939, Syracuse had only six plants employing over 1,000 people; today there are 15. But only one major war plant was built in Syracuse proper—General Electric's \$16 million turbine plant. Even that is no peacetime loss—Carrier has bought G.E.'s main factory to house its extended peacetime manufacturing facilities.

• **New Buildings**—And G.E. itself is going to stay in town. It is constructing a \$20 million, 155-acre "Electronics Park," which will be the headquarters of all G.E. electronics activities. Expected payroll: 6,000.

Bristol Laboratories, a subsidiary of Bristol-Myers Co., went to Syracuse in 1944 to manufacture penicillin. It, too, will stay—to make both penicillin and streptomycin in a new plant. The company now employs 700 people.

• **Money Rolls In**—Payrolls have risen in line with this industrial expansion. In January, 1939, 22 principal local industries reported a weekly payroll totaling \$249,426.89. Comparable figures at the start of 1947 show a payroll total of \$871,192.44.

Likewise, in January, 1941, the Syracuse factory worker's average weekly wage was \$29.48. In March, 1947, it was \$52.88. For local retailers, this meant a revenue in 1946 of an estimated \$175 million.

• **Natural Advantages**—What is the secret of Syracuse's industrial rebirth?

Primarily, the answer lies in the city's natural advantages. Smart industrialists saw that Syracuse has:

- A location in the geographic center of the state, giving it a strategic position on rail, canal, air, and highway routes. (Coming addition to the transportation network: the state's new \$200 million thruway, which will go via North Syracuse.)
- A dependable power supply.
- An abundance of water.
- A stable labor supply of good quality.
- Direct rail connections with the bitu-

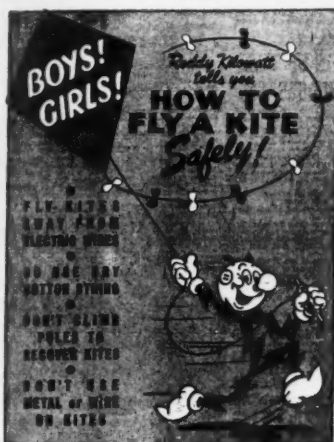
minous coal fields of Pennsylvania and West Virginia.

• Location within 300 miles of one-third of the U. S. population.

Natural advantages also help retail trade. Rochester and Buffalo in the West are restricted on one side by the Great Lakes; Utica to the East has the Adirondacks in its back yard. But Syracuse has a trading area with a full radius sweep of 30 miles. One example local retailers give to show the "Salt City's" drawing power: Some 5,000 charge accounts in Watertown, 75 miles to the north.

• Bright Future—Syracusans' confidence in the future is probably not misplaced. The city's manufacturing framework rests on a greatly broadened base. Products "Made in Syracuse" range from air-conditioning equipment to chinaware, from electronic devices to laundry machines. Electrical and machinery plants employ the biggest number of workers, are chiefly of local origin. This

SAFETY FOR KITE-FLYERS



Spring winds ushered in the kite-flying season. In Rochester, N. Y., they also ushered in a feeling of civic concern on the part of a public utility. To minimize injuries resulting from tangling kite strings with high-voltage wires, Rochester Gas & Electric Corp. ran an advertisement listing a few safety rules.

Speaking for the company, Reddy Kilowatt, a copyrighted cartoon figure, advises boys and girls not to use metal kite strings, not to climb poles to retrieve stranded kites.

"If your kite should get caught," says the utility company, "call the R.G.&E.; we'll send a man to get it down for you. You can always get another 10¢ kite. But a million dollars won't buy a child's life."

MULTIPLE

Fastener Protection

PLUS

ASSEMBLY LINE ECONOMIES



WILLYS-OVERLAND "JEEP" STATION WAGON

AT THESE POINTS:

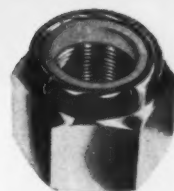
- 1—Body-Hold-Down
- 2—Gas Tank Strap
- 3—Accelerator Treadle Hinge
- 4—Hood Operating Arm
- 5—Radiator Brace Rod
- 6—Glove Box Check Arm

—with the Self-Locking, Self-Sealing and Reusable Red Elastic Collar

Willys-Overland's new "JEEP" Station Wagon has a world-wide reputation for stamina, performance and economy. So here again, self-locking ESNA Elastic Stop Nuts have been applied at six tough detachable fastener assembly points to lock out body squeaks and rattles... maintain alignments... permit easy removal and replacement for servicing. And further, to reduce assembly line costs with a one-piece, self-locking fastener that can be quickly run-on with a power tool.

All ESNA Elastic Stop Nuts—with the self-locking, self-sealing and reusable Red Elastic Collar—provide dependable protection against Vibration, Impact and Stress Reversal in both prestressed and positioned settings.

In addition, they protect against Thread Corrosion, Thread Failure and Liquid Seepage. This multiple protection helps achieve the double economy of inventory simplification and reduced procurement costs. ESNA engineers are ready to study your fastener problems. Address: Elastic Stop Nut Corporation of America, Union, New Jersey. Sales Engineers and Distributors are conveniently located in many principal cities.



LOOK FOR THE RED COLLAR THE SYMBOL OF SECURITY

It is threadless and dependably elastic. Every bolt—regardless of commercial tolerances—impresses (does not cut) its full thread contact in the Red Elastic Collar to fully grip the bolt threads. In addition, this threading action properly seats the metal threads—and eliminates all axial play between bolt and nut.

All ESNA Elastic Stop Nuts—regardless of size or type—lock in position anywhere on a bolt or stud. Vibration, impact or stress reversal cannot disturb prestressed or positioned settings.



ELASTIC STOP NUTS



PRODUCTS OF: ELASTIC STOP NUT CORPORATION OF AMERICA

Special KAYDON Roller Thrust Bearings, 9.437" x 15.125" x 3.500", with split races and split cage



KAYDON Split BEARINGS

**Easy to put on or take off
without dismantling machine**

EASY on . . . easy off! These special KAYDON Roller Thrust Bearings have split races and a split cage . . . so you don't have to dismantle the machine to assemble them into position or to remove them from the shaft. There are many applications where this unique type of bearing is a big saver of time and money.

The precision engineering and ingenuity which make these special bearings perform so successfully are major factors in KAYDON procedure to assure dependable quality, rugged strength, and high precision in all KAYDON standard and special bearings . . . from 4" bore to extremely large KAYDON Bear-

ings, up to 10 feet outside diameter.

In many fields of heavy-duty machinery, KAYDON Bearings help designers add important advantages. Steel mill equipment that operates under terrific loads and high temperatures, mammoth paper mill machinery, huge precision grinders, rugged road-building units, excavators, hoists, crushers, bending machines and other heavy-duty machines serve industry better because of KAYDON Bearings.

* * *

Expand your opportunities through use of these modern bearings. Capacity now available for all types and sizes. Contact KAYDON, in confidence!

KAYDON Types of Standard or Special Bearings:
Spherical Roller • Taper Roller
Ball Radial • Ball Thrust
Roller Radial • Roller Thrust

THE KAYDON ENGINEERING CORP.
MUSKEGON • MICHIGAN

All types of Ball and Roller Bearings 4" bore to 120" outside diameter

means that they are not so likely to shut down or move out at the whim of an absent management.

Most encouraging was a recent local planning survey. It described Onondaga County, of which Syracuse is the county seat, as being "on the select roll of 33 counties in the U. S. having representation of all of the 20 industry groups listed by the Census of Manufacturing."

• "Depression Proof"—United States Hoffman Corp., maker of dry cleaning and laundry equipment, exemplifies local feeling on the city's future. In its five plants it has a payroll two and a half times (1,300) its last peacetime figure—and is still expanding.

Said one of its officials: These "expansion activities . . . reflect the company's optimistic outlook on future business. While current sales represent a demand . . . attributable to wartime shortages . . . it is believed that new and replacement equipment will account for a firm sales volume in the future."

But a local realtor takes top honors for confidence. He's going around the country advertising Syracuse as "the depression proof city." Hardly anybody in town seems to disagree.

MOSES LAKE OVERFLOWS

In 1942, Moses Lake, Wash., had a population of 350. It was a reasonably prosperous rural community on the cross-state highway from Seattle to Spokane. Today the population is 3,000 or more, and it's soaring.

Private and municipal construction in 1946, when building materials and skilled labor were as scarce in Moses Lake as anywhere, aggregated \$2,500,000. This included school, water, sewer, and other municipal facilities for a prospective population of 10,000. A 25-ft. business lot that sold for \$500 to \$500 in 1942 commands up to \$5,000 today. Home sites also are bringing greatly increased prices.

There are substantial reasons for the boom. Like Ephrata, its Grant County neighbor, Moses Lake can't escape the benefits of a federal project nearby—the Columbia River irrigation project. Enormous payrolls are to be disbursed there over the next ten years. This is the biggest construction program ever undertaken in the Pacific Northwest (BW—May 18'46, p21). The new diversions of water from the reservoir behind Grand Coulee Dam were conceived to reclaim land sufficient for 17,000 farms.

Moses Lake is virtually certain to become a trading center for the northern half of the million-acre area to be irrigated. Moreover, the town has an irrigation district of its own serving 9,000 acres of farms. These produced \$4,000,000 of potatoes, dry onions, alfalfa, and hay in 1946.

Income Taxing

Toledo's levy on payrolls puts city on solid financial basis. St. Louis has less luck; courts void its version.

Unlike many other U. S. cities, Toledo was enjoying the most robust of fiscal health last week. Its 1% payroll-income tax (BW-Jan.19'46,p47) was coming into full fruition. As a result of the added revenue, real estate tax cuts for the next three years were looming as a possibility. Not only that, City Manager George N. Schoonmaker had another suggestion up his sleeve: after 1950—if the tax were kept—Toledo could be debt free.

• **Background**—For more than a year, the tax has enabled Toledo not only to meet its obligations, but to amass some funds for long-deferred capital improvements as well. The tax went into effect Mar. 1, 1946. From then to the year's end, it brought \$3,672,000 into the city treasury. An additional \$4 million was due by Mar. 31, 1947.

When Schoonmaker presented his recent proposal to the city for realty

FOAMY SNOW



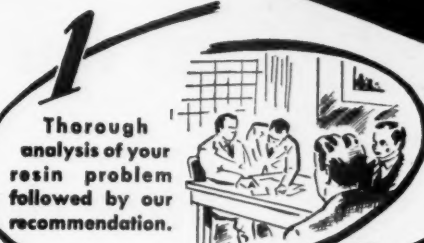
Foam that fought fires for the services during the war is snowing today for Hollywood, where traditionally blizzards of cornflakes swirled across the silver screen. To get that teeth-chattering effect for James Stewart (above right) in the film, "It's a Wonderful Life," Frank Capra created a synthetic storm of a fire-smothering protein mixture, product of Pyrene Mfg. Co.

The movie industry reports that Pyrene "snow" is lasting, odorless, harmless to scenery and clothing—and that it would fool a polar bear.

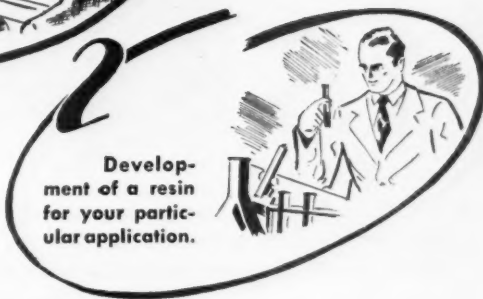
HOW INTERLAKE Resineering

serves resin users

Interlake Resineering—the functional engineering of a resin for the specific requirements of each job—consists of four steps:



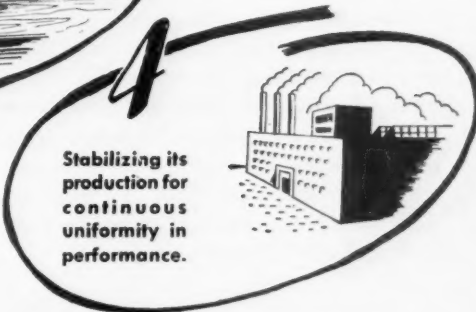
1
Thorough analysis of your resin problem followed by our recommendation.



2
Development of a resin for your particular application.



3
Testing this resin on the job, in your plant, working with your operating men.



4
Stabilizing its production for continuous uniformity in performance.

• Interlake service features analytic test reports with each delivery, and general consultation at any time on your use of resins. If you use resins investigate Interlake Resineering. Write Interlake Chemical Corporation, Union Commerce Building, Cleveland 14, Ohio.

INTERLAKE CHEMICAL

Corporation

• PRODUCTS FROM COAL •



in
LESS TIME
at
LOWER COST

Hand folding of monthly statements, form letters, advertising literature, etc., is expensive. It's a slow, time-consuming job . . . takes employees from their regular duties . . . and is seldom accurately done.

But . . . with a Davidson Folding Machine . . . one unskilled girl operator can do the entire job . . . accurately . . . in a fraction of the time . . . at a fraction of the cost.

That's why more and more business concerns are installing Davidsons . . . improving office efficiency . . . getting mailings out on time . . . and materially reducing costs.

Davidson Folding Machines are precision built . . . equipped with automatic feed . . . designed for fast, accurate folding . . . and years of trouble-free service. They're made in three models to meet the requirements of practically any business.

Do you know how much hand folding is costing you? A Davidson representative will gladly make an analysis of your costs and submit a recommendation . . . without obligation. In the meantime, we'll send you descriptive literature about Davidson Folding Machines. Just drop us a line.

DAVIDSON MANUFACTURING CORPORATION
1034-60 West Adams Street • Chicago 7, Illinois

Davidson Sales and Service Agencies are located in principal cities of the U. S., Canada, Mexico and foreign countries.

Davidson
FOLDING MACHINES

tax cuts and quick debt retirement, he said he was not recommending its immediate adoption. He merely wanted to show what could be done with the tax.

• **Dark Spot**—Actually, a foreboding cloud has recently blown up over the Toledo payroll-income tax. A taxpayer suit has challenged the validity of the measure. The action has caused officials to ponder over how long their bonanza might last.

A nonresident of Toledo—employed by a company located within the city limits—filed the suit. (Under the terms of the ordinance, earnings made in Toledo by any person are subject to the payroll income tax. His place of abode makes no difference.) Although this is the first suit, officials fear more are in the offing. The Common Pleas court has the case on its docket, and it's expected to be carried to the Ohio Supreme Court for a final decision.

Since its first hearing is still months away, however, city officials are continuing to collect the tax—with their fingers crossed.

• **St. Louis Stymied**—Meanwhile, another city was temporarily brought up short on its municipal income tax. A Missouri court has decided that St. Louis' efforts in this direction (BW-Oct. 12 '46, p. 62) were unconstitutional. The decision has left city officials wondering how they're going to balance their budget.

St. Louis' 1946 expenses came to \$31-million. Officials estimated its 1947 expenditures would run an additional \$4-million. All they can envisage is an income of \$27 million.

Three city departments have accepted budgets cuts totaling \$589,603. But since these came nowhere near balancing the proposed budget, a special citizens' tax commission suggested some other taxes. Among them: a 5% tax on amusements, higher license fees for taverns, participation in the state income and sales taxes.

TERRE HAUTE HITS BACK

Many an industry has located just outside of city limits. And many a city has wished for the tax revenue it just missed. Terre Haute, Ind., has taken note of this, set out to make amends. Its method is simple—expanding the city limits.

Last week the city council passed ordinances annexing an area lying to the southwest. It includes plant sites of the Commercial Solvents Corp. and the Terre Haute Paper Co.

At the same time, measures were introduced to annex sections to the east and southeast of Terre Haute. These include property of the Chicago & Eastern Illinois R.R., the Pennsylvania R.R., and the Indiana Gas & Chemical Corp.

1950-1960

MORE PEOPLE WORKING...

EACH PRODUCING MORE...

CAN TURN OUT ENOUGH
GOODS AND SERVICES...

FOR CONSUMERS, CAPITAL
INVESTMENT AND
GOVERNMENT

WITH THE RESOURCES
AVAILABLE...

TO MEET ALMOST ALL
OUR NEEDS



The Twentieth Century Fund, a privately-endowed research foundation, has just completed a monumental 875-page work called "America's Needs and Resources." In it is presented a detailed preview of what economic life in the U. S. A. during the 1950-60 decade will be like if we succeed in maintaining high-level employment. From the findings of the Twentieth Century Fund survey, the McGraw-Hill Department of Economics has prepared this synopsis, which highlights points of interest to readers of this magazine.

POPULATION

A nation's wealth depends more than anything else on the size and vigor of its population. Much of the increase in U. S. production during the past hundred years is a result of a rapid growth in population. This growth supplied manpower for farms and factories and provided an expanding market for consumer goods and services.

**MORE
PEOPLE
WORKING..**

Growth was the outstanding fact about population before 1930. The birth rate was almost double the death rate and there was a heavy flow of immigrants. Between 1900 and 1930, the population increase averaged 15 million each decade. Immigration contributed a third of the increase.

But this trend was checked by the depression 30's which stemmed the flood of immigrants and cut the birth rate by forcing postponement of many marriages. As a result, fewer than 9 million persons were added to the population between 1930 and 1940. This was an important factor in prolonging the depression because it slowed the growth of consumer markets.

WARTIME MARRIAGE BOOM

War and postwar conditions have brought a boom in marriages. They have exceeded normal by more than 1,500,000 since 1940. There will be more newly-married couples in 1950 than ever before and the birth rate may be roughly 10% higher than in the early 1930's. So the 20th Century Fund looks for an increase of 12 million in total population between 1940 and 1950 and a further increase of 10 million in the 1950's.

This will mean a faster-growing market for homes, autos, food, clothing, and other consumer items than we had in the 1930's. It will mean crowded schools and more people seeking jobs.

There are four major population trends which will affect markets in the 1950's:

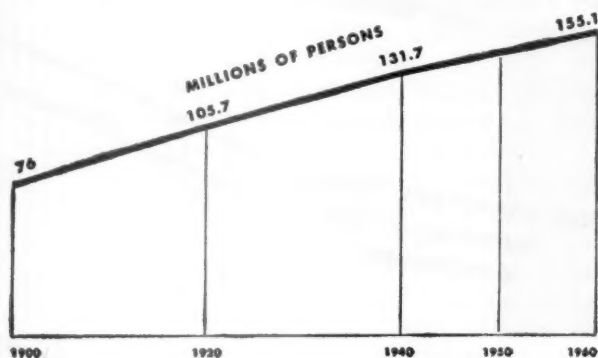
1. The number of families will continue to increase more rapidly than the number of people as families grow smaller. This is significant because the market for housing, appliances, and many other things depends more on the number of families than on the number of people.

2. Our population will be getting older. But it will not be getting less productive because the proportion of the population between the ages of 20 and 60 will be higher than in past decades. Still, the most striking increase will take place in the number of people over 60—from 14 million in 1940 to more than 20 million in 1960. This will bring greater demand for medical services and social security. An important cause of this trend is our success in controlling communicable disease. The following table shows how the death rate from selected causes has changed since 1900.

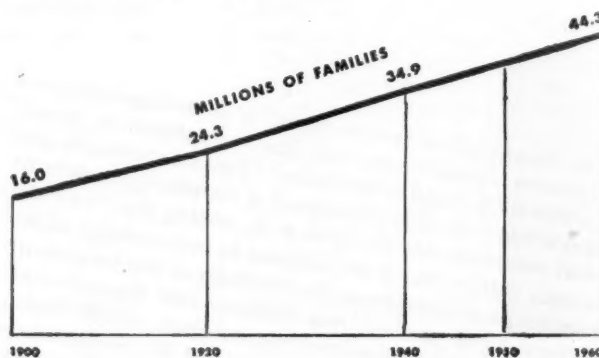
Death Rate Per 100,000 Persons

	1942	1900
Diseases of heart	295	137
Cancer and other malignant tumors	122	64
Influenza	56	202
Tuberculosis	43	194
Diarrhea and enteritis	9	143
Whooping cough	2	12
Diphtheria	1	40
Measles	1	13
Typhoid and paratyphoid fever	0.5	31
Scarlet fever	0.3	10
Other	505.2	873
	1035.0	1719

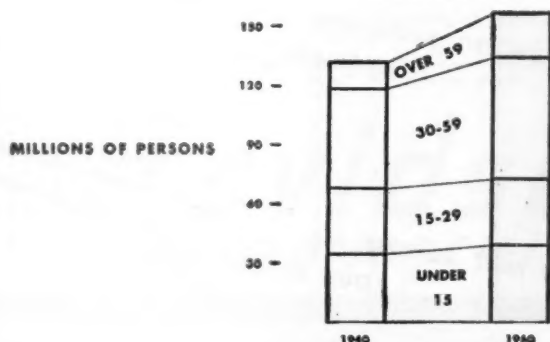
TWICE AS MANY PEOPLE



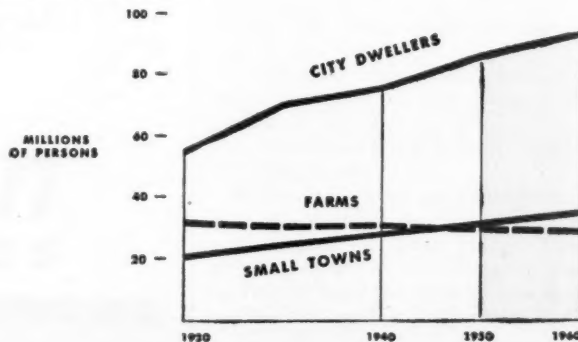
BUT THREE TIMES AS MANY FAMILIES



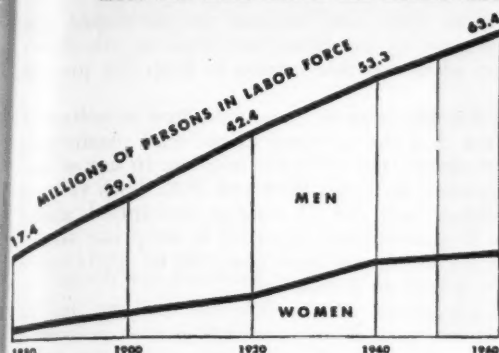
MORE OLDER PEOPLE



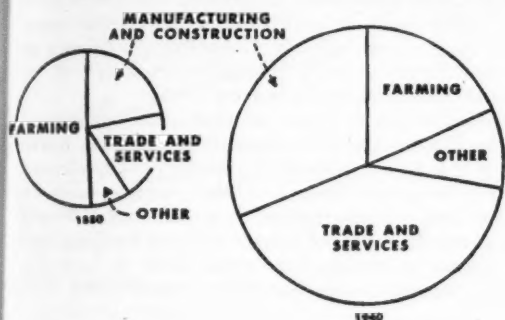
MORE CITY DWELLERS



MORE AND MORE WOMEN ARE SEEKING JOBS



FARMING IS GIVING WAY TO OTHER OCCUPATIONS



3. The population will continue to become more urbanized. Small and medium-sized cities will grow faster than the largest cities. The general westward migration which was accelerated by the war will continue.

4. Our people will keep on getting more homogeneous. There has been almost no immigration since 1929, so the number of immigrants who have been in the country for less than 20 years will make up less than one percent of the population in 1950 as against 10% in 1930.

An even more important factor in making the population all of a kind has been the growth of universal education. The proportion of children 14-17 years old attending high school doubled between 1920 and 1936. The rise of the radio, movies, and national magazines has also levelled us out. These developments not only raise the general educational level of the nation but also tend to standardize the public's tastes and attitudes.

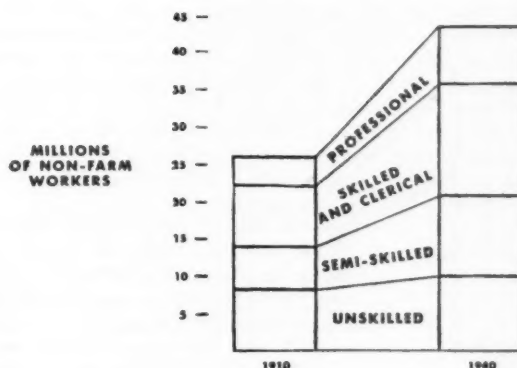
LABOR FORCE

The volume of goods and services produced by 145 million persons in 1950 and 155 million in 1960 will depend on what share of the population is in the labor market and the amount of work those employed actually do. The proportion of the population in the labor force has shown little change in the past few decades. So the 20th Century Fund assumes that the relationship between labor force and population will be about the same in 1950 and 1960 as it was just before the war. On this basis 60 million people will be in the labor market in 1950 and 63.4 million ten years later.

As you can see from the charts, however, there will be several important changes in the composition of the labor force. More women will be working. In 1870 only one out of every eight worked. By 1940 the pro-

ANATOMY OF THE LABOR FORCE

THE LABOR FORCE IS GROWING MORE SKILLED



portion had grown to one out of four, and evidently will go on rising.

However, the increase in the number of women working will just about be offset by earlier retirements and longer schooling. This explains why there is little change in the ratio of labor force to population.

UNEMPLOYMENT

The effectiveness of the labor force depends not only on its size but on how fully it is employed. We have never had full employment in the sense that everyone able and willing to work had a job at the same time. Even in good years unemployment has seldom averaged less than 5% of the working force because workers are always moving from job to job. And in 1932, nearly one-fourth of all workers were unable to find jobs.

For this reason, the 20th Century Fund assumes that, even with good business in the 1950s, unemployment will average 5% of the labor force. This works out to 3 million unemployed in 1950.

In addition, the Fund expects the long down-trend in average weekly hours to continue. A century ago, workers put in a 12 hour day for 6 days a week. By 1940 the average work-week had declined to 44 hours in non-agricultural jobs and 52 hours in agriculture. If this trend continues, the average in non-farm jobs will be down to 38 hours a week in 1960, and farmers will work 48 hours.

Adding all this up, and allowing for vacations, absenteeism, and sickness, the 20th Century Fund estimates that the U. S. will put in 121 billion man-hours of work in 1950 and 118 billion in 1960. This compares with 105 billion in 1940 and with 154 billion at the peak of the war effort. The quantity of goods and services that can be turned out with this amount of labor effort will depend on average output per man-hour, or productivity.

PRODUCTIVITY

The key to our future economic welfare is productivity. It is the five-fold increase in output per man-hour that has made it possible for us to work shorter hours and still enjoy a rising standard of living. This increase in productivity has been accomplished not by working harder but by constantly inventing better machinery to supplement human energy with mechanical power.

Of course, in any specific factory at any given time, productivity depends largely on the willingness and ability of labor and management. But over the years, the actual effort of the individual worker becomes much less important than the effort of the machine. The most energetic and skilled blacksmith of a century ago could not remotely approach the productivity of today's semi-skilled worker operating automatic power-driven equipment.

In 1860, the average worker turned out 33¢ (in 1944 dollars) worth of goods in an hour. By 1940, this had grown to \$1.22. This sensational increase in productivity was due to the increased use of power-driven machines. In 1860, the average worker had the help of only half a horsepower of animal or mineral energy. In 1940, he had the use of 2.7 horsepower. To put it another way, if there

had been no increase in the use of mechanical power since 1850, it would have taken 290 million workers to turn out the amount of goods and services actually produced at the peak of the war effort by only 63 million workers.

DO MACHINES KILL JOBS

Past history also shows that we need not fear the long run effects of the introduction of labor-saving machines. On the contrary, the only way we can improve the material welfare of everyone is to continue and even step up the rate at which we save labor by using machines.

Some people, it is true, are thrown out of work and a few of them may not be able to find other jobs easily. But mechanization more than compensates for "technological unemployment" by making it possible to produce more and better things for everyone—things that themselves create jobs. Development of the railroads and the automobile, for example, put a lot of canal boat and livery stable operators out of business. But it cut the cost of transportation and created many times more jobs than it eliminated.

The 20th Century Fund also points out that the most important reason that the technological revolution developed luxuriantly in the U. S. between 1850 and 1940 was that competitive enterprise provided a generally favorable climate. It is true that natural resources were plentiful and that the population was growing rapidly both in numbers and in skill. But what we had to a unique degree here was an atmosphere which favored risk-taking, fostered the vast capital investment necessary to harness and apply mechanical energy, and provided the incentives necessary to put capital and inventiveness to work.

No other economy has equalled ours in the ability to produce more and more with continually diminishing human effort. The test it now faces is whether it can eliminate the ups and downs in production and employment that have gone along with it. But an abundance of evidence indicates that we ran into

trouble after 1929 not because we developed too many labor-saving machines but because we didn't adjust our economic mechanism to keep the process going.

The key importance of mechanization is indicated by the fact that the increase in national production since 1860 closely parallels the increase in use of mechanical power. Between 1860 and 1940, both volume of production and use of energy multiplied about 11 times. It is clear that, in order to keep our standard of living rising, we must continue to apply more and more power to production.

Chief advantage of mechanical energy is, of course, its low cost. Electric energy is now delivered for as little as a cent a horsepower, while the same amount of human energy costs \$10.

And there are other important advantages. Mechanical energy can be delivered in greater concentrations than any other form. It is also more convenient, compact, mobile, and controllable. Consolidated Edison in New York delivers enough electricity in a day to do the work of 3 million draft horses.

These advantages are now so universally accepted that it's hard to realize how recently we left the horse and buggy era. At the turn of the century, animals and men provided more than half the energy used in production and transportation. It wasn't until World War I that trucks replaced horses in local hauling and tractors began to invade the farms. Here is how the use of mechanical energy has grown since 1850:

	Total Energy Output (Billions of Horsepower-Hours)	Percent Supplied by:		
		Mechanical Energy	Humans	Animals
1850	17.6	6	15	79
1860	25.2	7	14	79
1870	27.8	12	15	73
1880	39.9	17	14	69
1890	61.1	28	12	60
1900	82.9	38	10	52
1910	131.4	57	8	35
1920	197.4	73	6	21
1930	238.3	84	5	11
1940	289.4	90	4	6
1950	410.4	94	3	3
1960	489.8	96	2	2

PRODUCTIVITY IN THE FUTURE

Any attempt to predict future developments in productivity is complicated by the fact that the changes do not occur at an even rate. Between 1850 and 1940 the average increase in output per man-hour was 18% per decade. But the changes varied all the way from 3% between 1870 and 1880 to 42% for the decade ending in 1940. There is, therefore, no simple way to extend past trends to obtain a fool-proof figure for productivity at a future date.

For purposes of this study, however, the 20th Century Fund assumes that the average rate of increase since 1850 may be projected to estimate output per man-hour in 1950 and 1960. Thus, output per man-hour works out to \$1.44 in 1950 and \$1.70 in 1960 as against \$1.22 in 1940 (all in 1944 dollars).

As the Fund points out, this is a critical assumption, and it is further complicated by the fact that there is a wider possibility of error in this estimate than in most of the others in the study. If, for example, it is assumed that productivity will increase at the pace set from 1920 to 1940 which averaged 36% per decade, then 1960 production would be about double the 1940 level instead of only 157% of it, as the 20th Century Fund estimates.

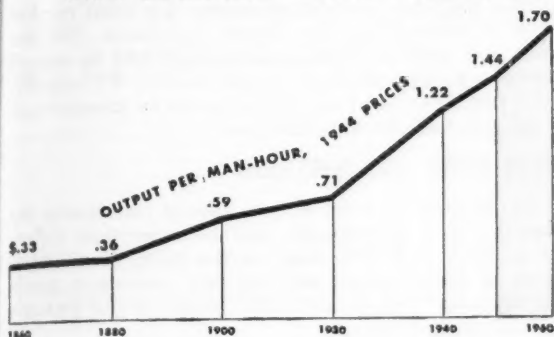
EACH

PRODUCING

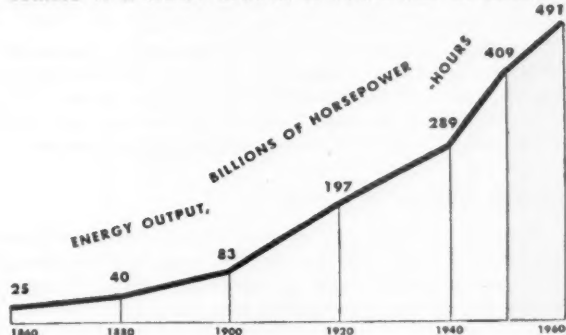
MORE ...

A CENTURY OF ECONOMIC PROGRESS 1860-1960

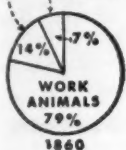
OUTPUT PER MAN-HOUR SHOULD BE 5 TIMES AS GREAT



BECAUSE OF A STEADY GROWTH OF POWER AND MACHINES

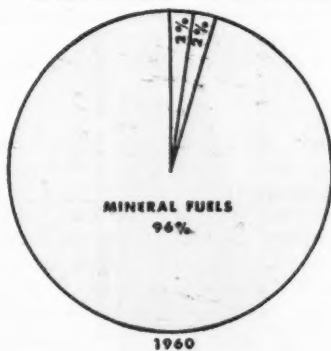


HUMAN WORKERS
MINERAL FUELS

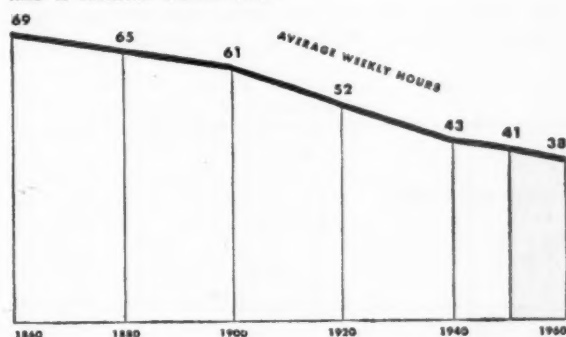


SO WITH LESS EFFORT

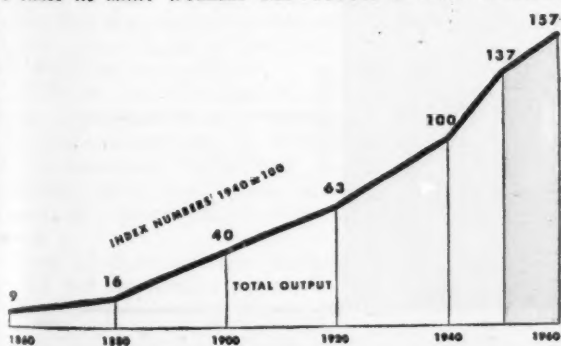
WORK ANIMALS HUMAN WORKERS



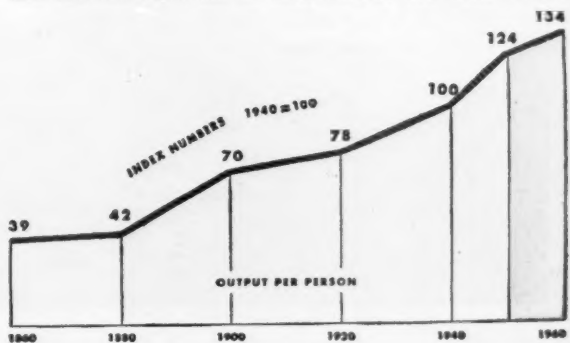
AND A SHORTER WORK WEEK



6 TIMES AS MANY WORKERS CAN PRODUCE 17 TIMES AS MUCH



AND PROVIDE 3½ TIMES AS MUCH OUTPUT FOR EACH PERSON



TOTAL NATIONAL OUTPUT

The potential volume of goods and services in 1950 and 1960 can be determined by simple arithmetic, using the assumptions outlined on the preceding pages. Of an estimated population of 145 million in 1950, about 60 million persons will be in the labor market and 57 million of them will have jobs if we succeed in keeping business activity at a high level.

This many people would work 121 billion man-hours. With output per man-hour estimated at \$1.44 (in 1944 dollars) the total value of goods and services produced, or the gross national product, would come to \$177 billion. Similar calculations yield a gross national product of \$202 billion for 1960.

As the 20th Century Fund emphasizes, these estimates are neither a forecast of actual production nor an appraisal of maximum potential production. They are merely an attempt to show in dollars and cents what can be achieved with high-level employment.

HIGHER LIVING STANDARDS

Compared with any prewar year, a gross national product of \$177 billion in 1950 and \$202 billion in 1960 would represent a handsome gain. It would make possible a substantial rise in living standards.

In 1950 we would produce a fifth more than in 1941.

CAN TURN OUT ENOUGH GOODS AND SERVICES...

However, the volume of goods and services turned out in 1950 would be only slightly higher than present production. This is because the number of persons at work today is 2 million above

the estimated normal for 1950, and average weekly hours are higher than they will be then. Almost a

million and a half of the emergency workers drawn into the labor force during the war are still at work and unemployment is lower than the figure assumed for 1950.

The estimates of 1950 and 1960 gross national product, as well as the figures for past years used in the chart, are expressed in 1944 prices. This is not a prediction that the price level will settle down to the 1944 level which would involve a drop of 18% in the cost of living and 26% in wholesale prices. It is merely a device to eliminate price fluctuations so that the figures will show only the actual changes in the physical volume of production.

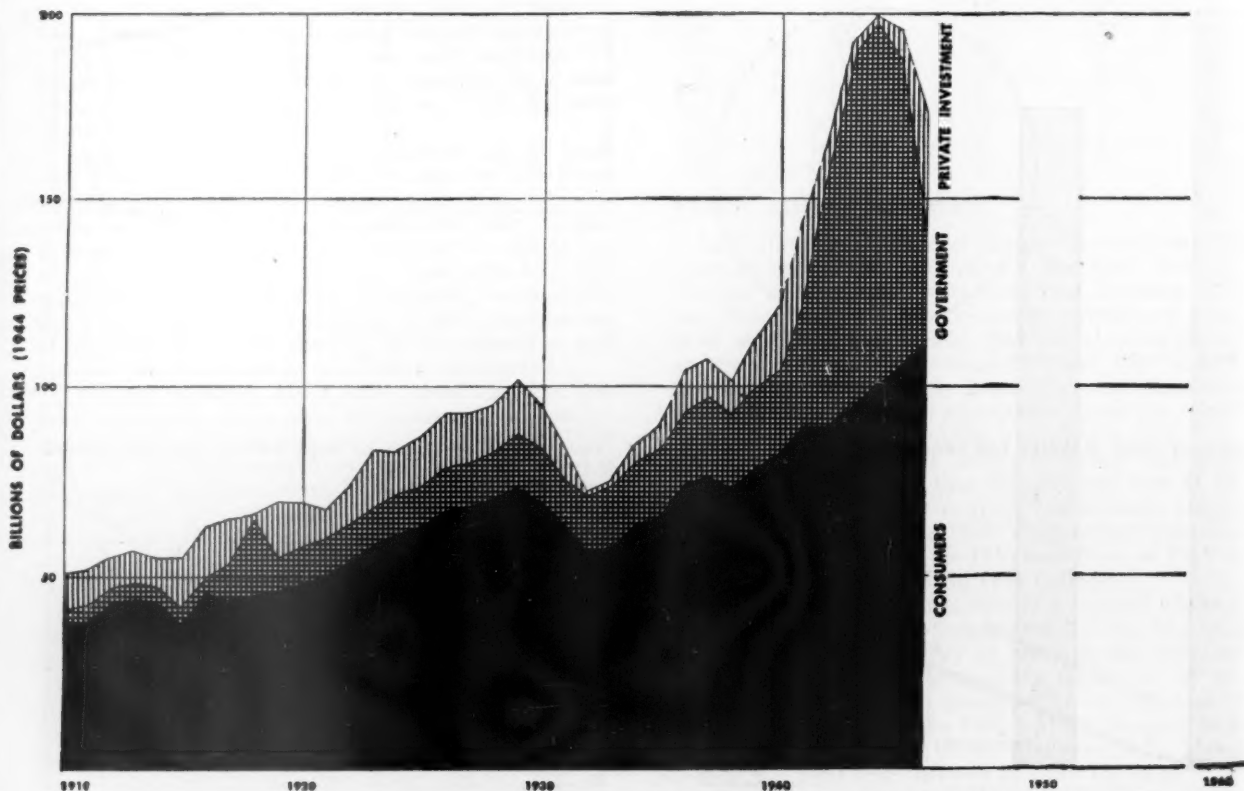
Gross national product measures the total market value of everything the nation produces. All the goods and services produced are absorbed in one of three ways: by consumer expenditures; by expenditures for investment in capital goods or inventories; or by government expenditures.

HIGHER TAXES, LESS INVESTMENT

The division of total output among consumers, investment, and government will be somewhat different in 1950 and 1960 than in the past. About two-thirds of total output will go into consumer goods and services. This is about the same as the proportion in prewar years.

Government's share will continue to grow, however. It rose from 11% of total output in 1929 to 17% in 1940. At the peak of the war effort, half of all production went to Uncle Sam. Government expenditures have dropped to less than half the war peak and they will continue to decline slowly. But government's share will still run to around 20% in the 1950's. On the other hand, the ratio of investment to total output shows a slight long term decline.

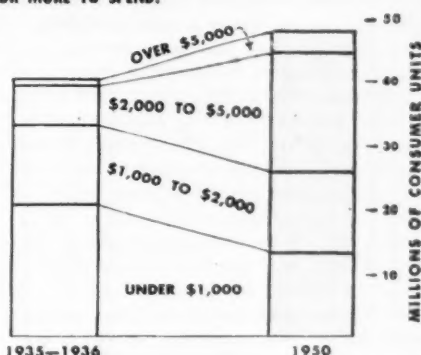
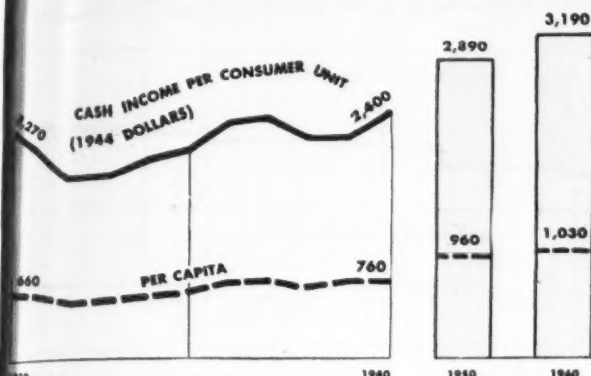
HOW TOTAL OUTPUT IS DISTRIBUTED



MORE CONSUMER PURCHASING POWER

CONSUMERS WILL BE ABLE TO BUY 50% MORE THAN IN 1930'S

EVERY OTHER FAMILY... INSTEAD OF EVERY SIXTH FAMILY... WILL HAVE \$2,000 OR MORE TO SPEND.



CONSUMER INCOME

U. S. business can look forward to a 1950 consumer market twice as large as in the worst year of the depression, half again as large as in 1929, and one-fifth larger than in 1941. That is the major conclusion of the 20th Century Fund's analysis of consumer purchasing power. Here are the steps by which it arrives at that conclusion:

1. With gross national product at \$177 billion in 1950, past experience indicates that income payments to individuals would run to \$138 billion.

2. Income tax rates are assumed to equal the 1942 schedules, so individuals would pay \$11 billion in taxes (as against \$19 billion in 1946).

3. Savings are estimated at \$12 billion, or about 9% of income after taxes.

4. Subtracting taxes and savings, consumer purchases of goods and services would total \$116 billion.

LOWER SAVINGS

Many experts would criticize the assumption that savings will amount to only 9% of income. Some of them look for a ratio as high as 20% in prosperous postwar years. The 20th Century Fund justifies the use of a low figure on three grounds: (1) people built up reserve of savings during the war; (2) expanding social security will reduce the need to save for old age; and (3) taxes will cut into savings. The Fund's estimate of savings plus taxes in 1950 adds up to a higher percentage of income than in prosperous prewar years.

The standard of living won't rise as rapidly as the total income going to consumers, because the increased income will be split up among more family units. But the average consumer unit (a family or a single person living alone) will be a third better off in 1960 than in the 1930's.

Shifts in the distribution of income will be even more important, from a marketing standpoint, than the general increase in over-all consumer income. More consumer units will be in the over-\$2000 brackets than ever before and this group will be receiving a much larger share of total consumer income.

Part of the apparent increase in income is cancelled out by higher prices. To show the actual increase in purchasing power, the figures should be

adjusted for an estimated one-third increase in the 1950 price level over that of the mid-1930's. This would mean that a \$2,650 income in 1950 would buy no more than a \$2,000 income in 1935-36. Even if this adjustment is made, the resulting figures still show a striking upward shift.

Income Class	Consumer Units in Millions		Cash Income in Billions	
	1935-36	1950	1935-36	1950
Total	39.2	47.9	\$85.0	\$135.0
Under \$1000	20.8	13.0	17.0	7.7
\$1000-2000	12.2	12.9	28.1	21.5
\$2000-5000	5.5	18.2	23.8	62.1
Over \$5000	0.7	3.8	16.1	43.7

In addition to dollar income, shown in the above table, consumers also receive "income in kind"—food and fuel produced by farmers for their own use, board and lodging received by domestic servants. Such income will have a value estimated at \$3.3 billion in 1950, most of which will supplement the \$7.7 billion received by those in the "under \$1000" bracket.

The urban market will continue to be far more important than the rural market. Consumer units in cities will receive cash incomes of \$3,445 on the average in 1950, more than twice the farm average of \$1,635 and almost twice the small town average of \$1,880.

THE FARM MARKET

These figures don't provide an accurate measure of the relative importance of the rural and urban markets because rural consumers pay a lot less for food, fuel, shelter and so have more to spend for other things. If there were any way to adjust for these things, the figures would show a smaller spread between the two markets, but the urban market will still be dominant.

All these figures underline a general upgrading in consumer demands which would accompany high-level production and employment. It will have a profound effect on marketing practices. The average person will eat better, dress better, and live in a better house with better equipment. And he will have more money to spend for travel, recreation, and luxuries.

FOR CONSUMERS...

CONSUMER MARKETS

The improvement in living standards during the 1950 decade will lead to important changes in the way consumers spend their dollars. Even though they will eat better, dress better, and live in better houses, a smaller share of the consumer dollar will be spent on food, clothing and shelter. A growing share will go for appliances, furniture, travel, and recreation.

This means that the fastest growing markets will be those providing what might be called "optional" goods and services — things which add to comfort and enjoyment but which are not strictly necessary. Markets for necessities, on the other hand, will expand at a slower rate than total consumer expenditures.

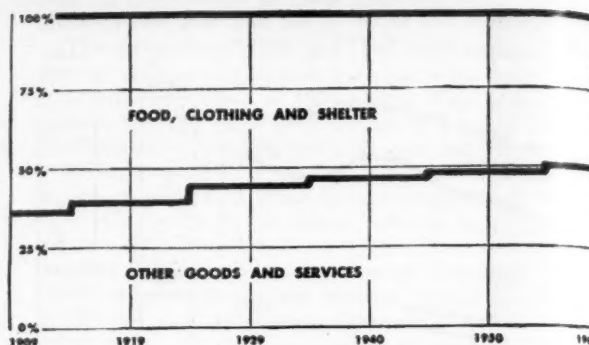
The growing importance of "optional" goods and services is one of the reasons why it's increasingly difficult to keep our economic machine going on an even keel. The purchase of "optional" goods can be postponed with little hardship. So anything that causes people to put off buying a new car, a new house, or a new radio has a far greater effect on production and employment now than it did when the major share of the consumer dollar went for necessities.

Some of the trends in major markets are summarized in the following sections.

FOOD

Although food is by far the largest item in the consumer budget, its relative importance is declining slowly as living standards rise. People eat the same number of pounds of food they ate in 1909 but the food is better from a nutritional standpoint and easier

STANDARD OF LIVING YARDSTICK: MORE OF THE CONSUMER DOLLAR GOES FOR THE COMFORTS OF MODERN LIFE



to prepare. Thus, the trend favors fruits, vegetables, and dairy products as against meat, potatoes, and bread.

More and more food is being processed in factories rather than in consumer kitchens. Improved methods of manufacture and distribution have transformed the luxury foods of yesterday into the standard foods of today. New kinds of processed foods — canned, frozen, and dehydrated — are appearing constantly.

CLOTHING

Three long term trends will shape the clothing market in the future: (1) the shift from home and custom to factory fabrication is almost complete;

WHERE CONSUMER DOLLARS GO

(Figures in Billions of Dollars)

	1909	1919	1929	1940	1941	(1944 Prices) 1950	1960
Total Consumer Expenditures	28.8	60.8	80.3	70.6	80.4	116.2	134.2
Food, Liquor, and Tobacco	9.9	22.3	23.7	21.9	25.3	36.2	41.1
Food	7.4	18.8	19.9	16.4	19.0	27.2	30.8
Liquor and Tobacco	2.5	3.5	3.7	5.5	6.3	9.0	10.3
Clothing and Personal Care	4.4	9.8	12.1	9.8	11.5	16.2	18.7
Housing	6.8	10.1	14.4	12.6	13.3	19.3	21.4
Rent a.	5.5	7.9	11.3	9.1	9.7	14.0	15.4
Fuel	1.0	1.5	1.7	1.7	1.8	2.5	2.8
Electricity	0.1	0.3	0.6	0.9	1.0	1.6	1.8
Household Equipment and Operation	2.8	6.2	10.6	8.7	10.3	15.0	17.4
Appliances	0.2	0.4	0.8	1.0	1.3	1.8	2.4
Consumer Transportation	1.6	5.2	8.6	7.3	8.6	12.7	16.4
Autos and Private Planes b.	0.6	3.5	6.0	5.7	6.8	9.6	12.7
Local Bus and Street Car	—	—	0.8	0.7	0.8	1.5	1.5
Intercity Bus	—	—	0.1	0.1	0.2	0.2	0.2
Airlines	—	—	c.	c.	c.	0.1	0.5
Railroads	0.4	0.8	0.6	0.3	0.3	0.4	0.3
Medical Care, Insurance, and Death Expenses ...	1.1	2.8	4.5	4.7	5.2	7.7	8.7
Recreation	0.9	2.1	3.8	3.3	3.7	5.7	6.9
Radio and Television Sets	0.2	0.7	1.0	0.6	0.8	1.1	1.3
Private Education, Religion, and Welfare	1.2	2.2	2.7	2.3	2.4	3.4	3.7

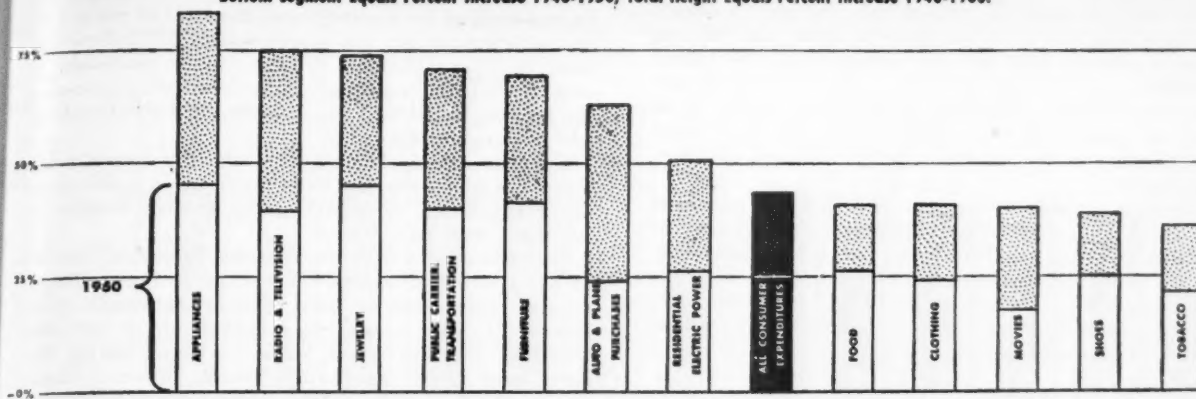
a. Includes Estimated Rent for Owner-Occupied Homes.

b. Includes Original Cost and Operating Expenses.

c. Less than \$50 Million.

CONSUMER MARKETS IN 1950 AND 1960: Percent Increase in Sales Over 1940

Bottom Segment Equals Percent Increase 1940-1950; Total Height Equals Percent Increase 1940-1960.



(2) synthetics, chiefly rayon and nylon so far, are replacing cotton, wool, and silk at an accelerating pace; (3) there's greater standardization of styles and a trend to lighter and simpler clothing.

In 1909 consumers spent 14% of their income for clothing but by 1940 the ratio had declined to 12%. However, this long run decline may be halted or reversed. The migration from farms to cities, the upgrading of incomes, and the growing demand for sports clothing will increase clothing expenditures.

HOUSING

The decline in the relative importance of housing expenditures — from 24% of consumer dollars in 1909 to less than 18% in 1940 — is expected to continue. The reason is that people feel they get more value

for their dollars in other things than housing. Nevertheless, the housing market should be much larger in the 1950's than in the 1930's because much of our housing needs to be repaired or replaced.

A Census survey in 1940 showed that 16 million of the nation's 37 million dwelling units needed to be replaced or needed major repairs. The 20th Century Fund estimates that the provision of adequate housing for everyone by 1960 would involve building 20 million new units and rehabilitating 5.4 million at a total cost of \$115 billion (1944 prices). The Fund also estimates that we will fall 15% short of this goal even with continued high-level employment.

HOUSEHOLD EQUIPMENT

More and more of the consumer dollar has gone for household equipment in the past four decades, largely because of the development of labor-saving appliances. The outlook is for a continuation of this trend. New appliances are being developed; and the large number of new houses slated to be built in the next few years, the wartime and postwar boom in the number of families, and the migration to the cities should add to appliance demand. The same factors should brighten the outlook for furniture, rugs, and other household items.

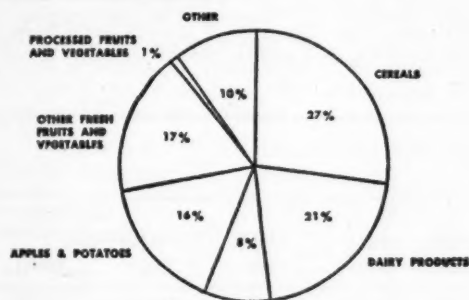
Some appliance markets may be saturated by the 1950's, however. A few years of high production would fill our homes with refrigerators, for example. However, replacement demand would run to 2.7 million units in 1960 and there would be a demand for 1.3 million refrigerators to equip new houses, so the market would still be bigger than in 1941 when 3.6 million were sold. However, new products must be developed if the industry is to keep up the pace it has set in the past.

TRAVEL

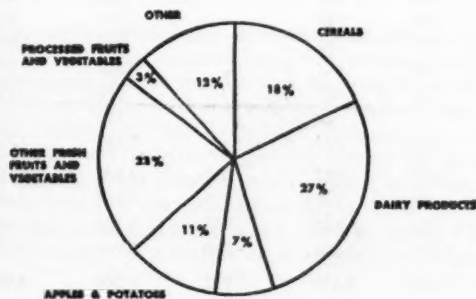
In 1916 the average person traveled 400 miles. By 1940 the average had grown to 2,400 miles, chiefly because of the rise of the automobile. The 20th Century Fund expects this growth to continue because as their incomes rise people spend more money traveling.

A good share of the increased spending will go to purchases of cars and planes. The Fund estimates that there will be 36 million cars on the road and 100,000 private planes in the air in 1950. The auto industry would be able to sell 5 million new cars a year after 1950 — 4 million for replacement and a million for population growth.

OUR CHANGING DIET: MORE MILK, FRUITS AND VEGETABLES LESS MEAT, POTATOES AND BREAD



1909
1880 POUNDS OF FOOD PER PERSON



1939
1882 POUNDS OF FOOD PER PERSON

CAPITAL INVESTMENT

Investment plays a crucial role in our economy for two reasons. It is by plowing back part of our annual output that we are able to provide better machines and equipment to keep productivity rising. But the amount ploughed back varies widely from year to year. This unevenness of capital investment contributes to the instability of production and employment.

Because capital investment involves the purchase of durable goods, it can be postponed almost indefinitely when the outlook for profits darkens. Thus, capital investment plummeted from \$18 billion in 1929 to \$5 billion in 1933, a drop of 72%, whereas consumer spending fell only about half as fast in the same period.

MORE FOR EQUIPMENT

There has been an important shift in the relationship between construction and equipment, the two major types of investment. Before World War I, construction made up around three-fourths of total investment but the ratio declined to less than half in 1935-39. Part of the decline is, of course, explained by the fact that the depression left us with ample plant capacity but provided an incentive to buy more efficient machines to cut costs. Nevertheless, there is a well-defined trend towards allocating an increasing proportion of investment to equipment rather than to plant construction.

A little less than two-thirds of total investment goes into industrial plants and equipment. Housing and other consumer construction (hospitals, schools, churches) averaged 27% of total investment during the interwar period. Housing fell from a peak of \$6 billion in 1926 to \$4.7 billion in 1929 and \$600 million in 1933; and it had recovered only half the 1926 volume by 1940.

While other types of investment follow the ups and downs in general busi-

ness, investment in housing construction follows a cycle of its own. This housing cycle is determined by factors such as the vacancy rate, the level of rents, and that of construction costs, which may not follow the trend of general business. When a drop in general business activity takes place during a declining phase of the housing cycle, as it did in 1929, the result is a deep and prolonged depression.

Government investment, of which the largest component is highways, has been much more stable than other types but it doesn't swing enough weight to stabilize total investment.

Because of the wide fluctuations in capital investment, it's much more difficult to estimate future capital expenditures than future consumer purchases. In order to make a relatively stable forecast, the 20th Century Fund bases its estimates on the long term trend since 1879, which shows a slight decline in the share of total output going to capital investment. Thus, investment under conditions of stable prosperity in the 1950 decade is estimated at 16% of total output as compared with a ratio of more than 18% in the late 1920's. On this basis, estimated capital expenditures work out to \$28 billion for 1950 and \$33 billion in 1960. Our ability to maintain high employment and rising living standards will depend in large measure on our ability to invest that much profitably in new machinery and buildings.

CAPITAL NEEDS

Analysis of our capital needs lends little support to the idea prevalent during the 1930's that we had reached economic maturity so that there was no way to invest as much as we had in earlier decades. No one has ever made an estimate of how much it would cost to modernize our industrial plant, which is valued at around \$200 billion at prewar prices. If as much as a third of it needs to be replaced or rehabilitated, around \$100 billion (current prices) of additional investment will be required.

In addition, huge amounts of money need to be invested in housing and public works to raise the serv-

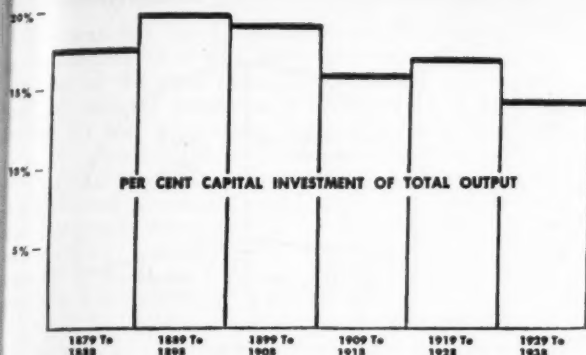
CAPITAL
INVESTMENT ...

WHERE INVESTMENT DOLLARS GO

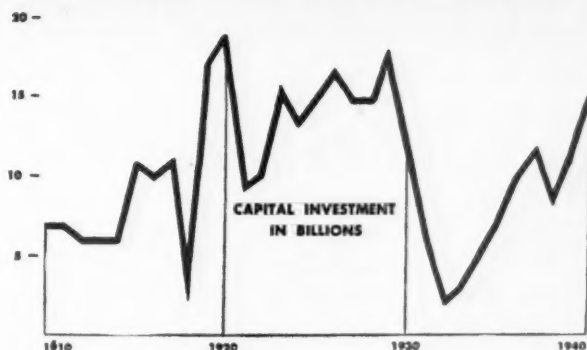
(Figures in Billions of Dollars)

	(Annual Averages)						
	1920- 1924	1925- 1929	1930- 1934	1935- 1939	1940- 1944	(1944 Prices) 1950	1960
Total Capital Investment	\$12,428	\$17,186	\$8,215	\$10,445	\$12,340	\$27,700	\$33,000
All Industries	7,570	10,112	5,272	6,889	8,089	17,800	21,125
Manufacturing	1,996	2,362	1,074	1,610	3,731	4,200	5,025
Food	261	357	194	244		228	273
Textiles	227	212	92	117		175	210
Steel	138	188	110	192		853	1,021
Autos	105	150	78	146		369	441
Chemicals & Petroleum	70	95	68	142		928	1,111
Machinery	—	—	—	28		180	216
Other	510	625	213	409		1,462	1,750
Transportation	1,797	2,303	1,277	1,822	805	4,300	5,100
Commercial	1,196	1,940	777	719	833	1,950	2,300
Utility	693	999	483	422	780	1,500	1,625
Other	1,888	2,508	1,661	2,316	1,940	3,950	4,700
Consumer Construction	3,806	5,557	1,547	2,256	2,912	7,200	8,255
Government Construction	1,052	1,517	1,396	1,299	1,338	2,700	3,620

OVER THE YEARS ABOUT 1/5 OF TOTAL OUTPUT IS PLOWED BACK AS INVESTMENT



BUT THE AMOUNT PLOWED BACK VARIES GREATLY FROM GOOD YEARS TO BAD, ACCENTUATING THE SWINGS OF THE BUSINESS CYCLE



ices provided merely to adequate levels. The 20th Century Fund estimates that the cost of a 15 year program to modernize our city streets and rural highways would run to \$40 billion. To bring the nation's housing up to minimum standards of health and decency by 1960 would cost \$115 billion. To conserve our natural resources and develop our water power would cost \$27 billion over a 15 year period.

There seems to be little question that needs exist for all the capital investment we can make for a long time to come. The behavior of investment in the past strongly suggests that the problem is not one of lack of needs but one of finding ways to add to our capital in an orderly fashion. Capital investment has followed the boom and bust route in the past; what is wanted is a high but steady rate of investment.

WARTIME INVESTMENT DEFICIT

Demand for capital goods is stronger right now than ever before, largely because of the backed-up needs arising out of the war. Here is how wartime expenditures for capital goods which can be used in peacetime production compared with expenditures in the last 5 years of both the 1920's and 1930's: (Figures in billions of dollars)

	1925-1929	1935-1939*	1940-1944
Total Capital investment	\$86	\$65	\$49
Industrial	51	43	32
Manufacturing	12	10	14
Metals, chemicals, machinery, petroleum	6	6	11
All Other	6	4	3
Commercial	10	5	3
Railroads	5	3	3
Electric power	5	3	3
Consumer Construction	28	14	12
Public Works	7	8	5

* Adjusted to Wartime Prices

Wartime restrictions held investment in all civilian lines far below what would be spent in prosperous peacetime years. Thus, there was a backlog of investment needs at the end of the war which ran to more than \$30 billion, if the 1925-1929 demand can be taken as typical. Whatever the precise size of the backlog, it is clearly great enough, when added to the normal yearly demand for new investment, to keep the heavy goods boom going for some time to come. The test of our ability to stabilize capital investment will come later.

There is also a huge foreign demand for American capital. How far we will go toward meeting this depends largely on whether international political and

economic conditions are stable enough to make private foreign investment a good risk.

If we invest abroad in the same proportion we did in the late-1920's, our foreign investments will total \$1.6 billion during the year 1950 and \$1.5 billion in the year 1960. This will mean a net increase in our foreign holdings of \$15 billion during the 1950's, raising the total of such holdings to about \$25 billion, as against a total of \$10.6 billion in 1940.

To make that much foreign investment pay out, an expanding volume of world trade would be required. Foreign nations would have to get enough dollars not only to pay for goods they bought from us but also to pay interest and dividends on U. S. investments. If our overseas investments increase to \$25 billion by 1960, annual interest and dividends owed us will run to almost \$1 3/4 billion.

To pay us that much, foreign nations would have to sell much more in the U. S. than ever before. The 20th Century Fund calculates that imports of \$7.3 billion in 1950 and \$8.1 billion in 1960 would provide other countries with the dollars they need. Imports ran to \$2.5 billion in 1940 so we would have to buy 3 times as much abroad to keep expanding our foreign investments.

With good business, U. S. demand for imported goods should be well above prewar. Rising living standards will widen the market for such consumer items as British tweeds and French perfumes. Moreover, we will need to import more raw materials than ever before because we used up our natural resources at a prodigious pace during the war.

NEW INDUSTRIES

The new methods, materials, and products developed during the war may well have a more profound and lasting effect on future capital requirements than the backed-up demands accumulated in wartime. Here are some of the wartime developments which may have important peacetime applications: new chemical processes and products including synthetic rubber, plastics, synthetic fibers and fabrics; new food products and new methods of food processing; new uses for glass, plywood, and the light metals; tremendous advances in aviation; and new applications of atomic energy and fissionable products in power production and medicine.

Large capital expenditures will be required to push these developments further and adapt them to civilian use. New businesses and perhaps entire new industries will grow up, adding to the demand for capital goods for many years.

THE COST OF GOVERNMENT

To the traditional certainty of death and taxes can be added the certainty that the cost of government will take a much larger share of national income than ever before in peacetime. After the Civil War and again after World War I, federal expenditures moved up to a level four times prewar. And it is already clear that World War II is going to have about the same effect.

In 1940, federal, state, and local governments spent \$19 billion, of which a total of \$2.2 billion went for national defense, veterans, and interest on the war debt. By 1950, the 20th Century Fund estimates that all governmental units in the U. S. will be spending more than \$45 billion. Federal expenditures are estimated at \$27.6 billion in that year as against \$9 billion in 1940.

Part of the increase is explained by higher post-war prices. Adjusting for price changes would reduce the 1950 figure from \$45 billion to \$33.5 billion. This is still 80% above the 1940 level. Increased expenditures for public works, social insurance, and schools explain another small part of the rise.

But costs arising out of the war are by far the most important factor. Military and veterans' expenditures and interest on the war-swollen national debt will add up to over \$17 billion in 1950. This is only 10% less than total government expenditures in 1940.

The only major category of government expense which would be lower in 1950 is welfare. With high-level employment and more social insurance, relief and other welfare costs should run to \$2.5 billion in 1950 as against \$3 billion in 1941.

The following paragraphs describe important trends in the major items of government expense.

MILITARY

The 20th Century Fund assumes that we will maintain an armed strength of 2 million men (including trainees) and that it will cost \$3,300 to equip and maintain each man, so total military expenditures will run to \$6.6 billion. But even if we decide to maintain a smaller armed strength, the total cost might easily be at least \$6.6 billion because the present per serviceman cost of over \$6,000 a year may not decline.

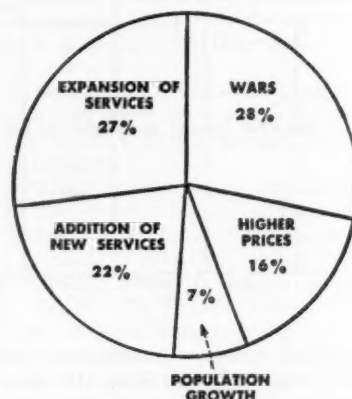
VETERANS

It will cost at least \$2.9 billion to take care of veterans in 1950 even if benefits are not increased. That's 5 times the 1941 cost. Pensions for World War I veterans rose steadily from \$116 million in 1924 to over \$300 million in 1945. That rise will continue for another 20 years. By far the largest expense will be for World War II pensions which are already costing \$900 million. Disability and death benefits will cost about \$1½ billion in 1950; hospitalization will add another \$250 million; and insurance \$150 million.

SOCIAL SECURITY

Future expenditures for social security will depend on whether steps are taken to extend coverage and liberalize benefits. Over 60 million people are now covered so the cost is certain to increase rapidly as more of them begin to draw payments. With high-

WHY THE COST OF GOVERNMENT HAS INCREASED. The \$25.6 billion increase in cost from 1913 to 1941 was due to:



level employment in 1950, estimated old age and unemployment benefits under the present system would run to over \$5 billion. Expansion of benefits, as recommended by the Social Security Board, would raise the cost to over \$9 billion.

PUBLIC WORKS

Even an economy-minded Congress is almost certain to go along with expenditures for highways, airports, waterways, flood control and conservation. Thus, an increase in expenditures for transportation and natural resources from less than \$2.5 billion to over \$5 billion in 1950 seems probable.

SCHOOLS

Education ranks third among all government expenditures. In 1941 we spent almost \$2.5 billion—10% of all government dollars—on schools. Teachers' salaries account for almost three-quarters of the total cost so the trend towards higher salaries will boost the nation's bill for education.

WHERE TAX DOLLARS GO

(Figures in Billions of Dollars)

	1913	1932	1941	(1944 Prices) 1950	1960
All Government					
Expenditures	2.5	12.4	23.1	45.5	50.7
Federal	0.7	4.3	12.9	27.6	28.6
State	0.2	1.8	3.6	7.0	9.3
Local	1.6	6.3	6.6	10.9	12.8
Military	0.27	0.7	6.1	5.6	6.6
Veterans	0.18	0.8	0.6	2.9	3.2
Interest	0.15	1.3	1.7	7.9	8.1
Social Insurance	—	0.2	1.9	7.7	8.7
Welfare & Health	0.31	1.5	4.1	4.0	4.1
Education	0.65	2.5	2.7	3.7	4.3
Public Works	a.	a.	a.	5.6	7.1
Transportation	0.40	1.9	2.0	1.8	2.7
Natural Resources	0.03	0.6	1.4	1.2	1.1
Police & Fire	0.19	0.7	0.7	1.0	1.1
Other	0.40	2.4	2.0	3.0	3.6

a. Included in other groups.

NATURAL RESOURCES

The war left the U. S. with a depleted supply of most natural resources, and with critical shortages of some of the most essential minerals. Nevertheless, lack of natural resources should not be a limiting factor on our productive capacity. With relatively free access to world markets, we should be able to get all the raw materials we need. And, even if we were denied access to world markets, we could use our low-grade reserves and develop substitutes without causing a prohibitive reduction in our living standards, though everyone would feel the effects in one way or another.

The U. S. economy consumes about a billion and a half tons of raw materials each year, or about 11.5 tons per person. Of this 3.5 tons are coal, 1.5 tons are petroleum, and iron and copper ore each contribute about a half a ton. In 1939 the value of unrefined minerals output was \$4.2 billion and 2% of all workers were engaged in mining or lumbering.

FUTURE REQUIREMENTS

The level of industrial production projected by the 20th Century Fund would raise minerals requirements a third above 1940 by the year 1950 and 50% above 1940 a decade later. Here is how natural resources requirements in the 1950 decade would compare with 1940 and the wartime peak: (Index numbers, 1940 equals 100)

	Wartime Peak	1950	1960
All minerals	138	133	151
Metals	157	117	126
Fuels	130	141	164
Other	141	128	142
Lumber	126	93	76
Electric Power	159	173	224
Manufactured Gas	120	94	75

The capacity of our supplies of natural resources to support future levels of output cannot be determined with any great accuracy. It will depend on the size of our reserves and on our ability to use supplies more economically and develop substitutes.

WITH THE

RESOURCES

AVAILABLE...

Because there is no way to measure these factors with any degree of precision, all estimates of the number of year's supply are subject to wide errors. However, such estimates are useful in directing attention at those resources where every effort should be exerted to develop new

supplies, substitutes, and more economical methods of use.

BIGGEST PROBLEMS: LEAD AND ZINC

Commercial grades of zinc, lead, and bauxite will be exhausted before 1960 even if the rate of use is cut to half the wartime rate. Supplies of petroleum and natural gas — which furnish 40% of our energy — will last longer than 20 years but their partial depletion will raise many technical and economic problems long before that time. Possible exhaustion of high-grade deposits of such minerals as iron and copper in the foreseeable future will stimulate development of processes to use low-grade deposits.

We have been discovering more and more ways to stretch our supplies of natural resources, however. In the case of tin, the electroplating process saves 50%

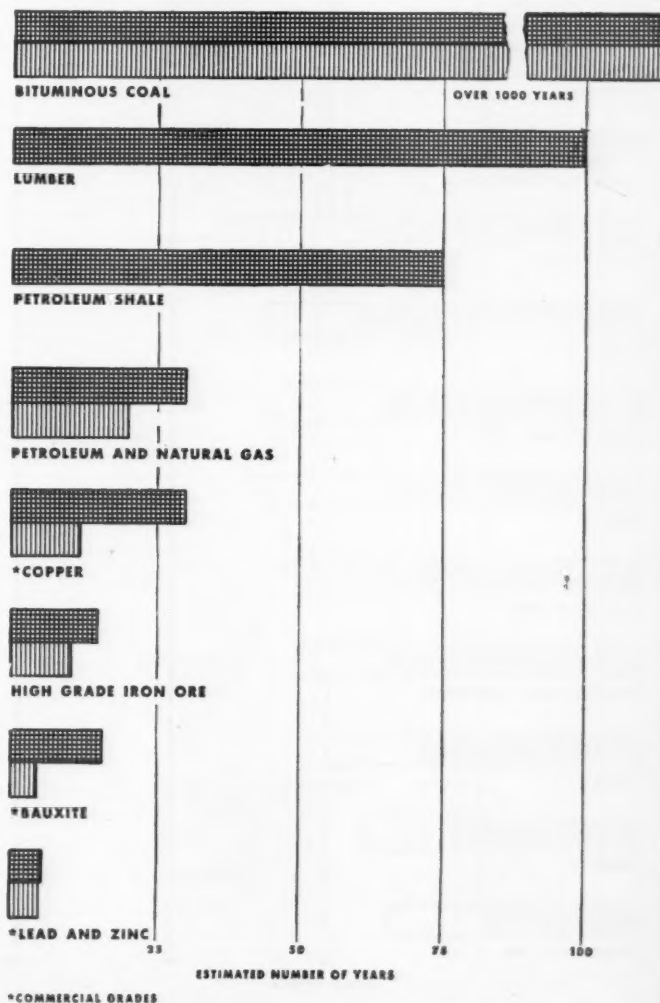
of the tin used in tinplate production. The electric power industry uses less than 40% as much coal per kwh now as in 1920. The development of new materials and new ways of using old materials also expands our resource capacity.

Our bituminous coal reserves are adequate for over a thousand years even at the wartime rate of use, though production costs might rise substantially as inferior coal beds were used. After that, there are huge deposits of sub-bituminous coal and lignite which could carry us along for another thousand years. In comparison, maximum petroleum reserves are minute, adequate only for about 30 years consumption at the current rate. That is why the experts are trying to find ways to produce oil from coal cheaply enough to be commercially feasible.

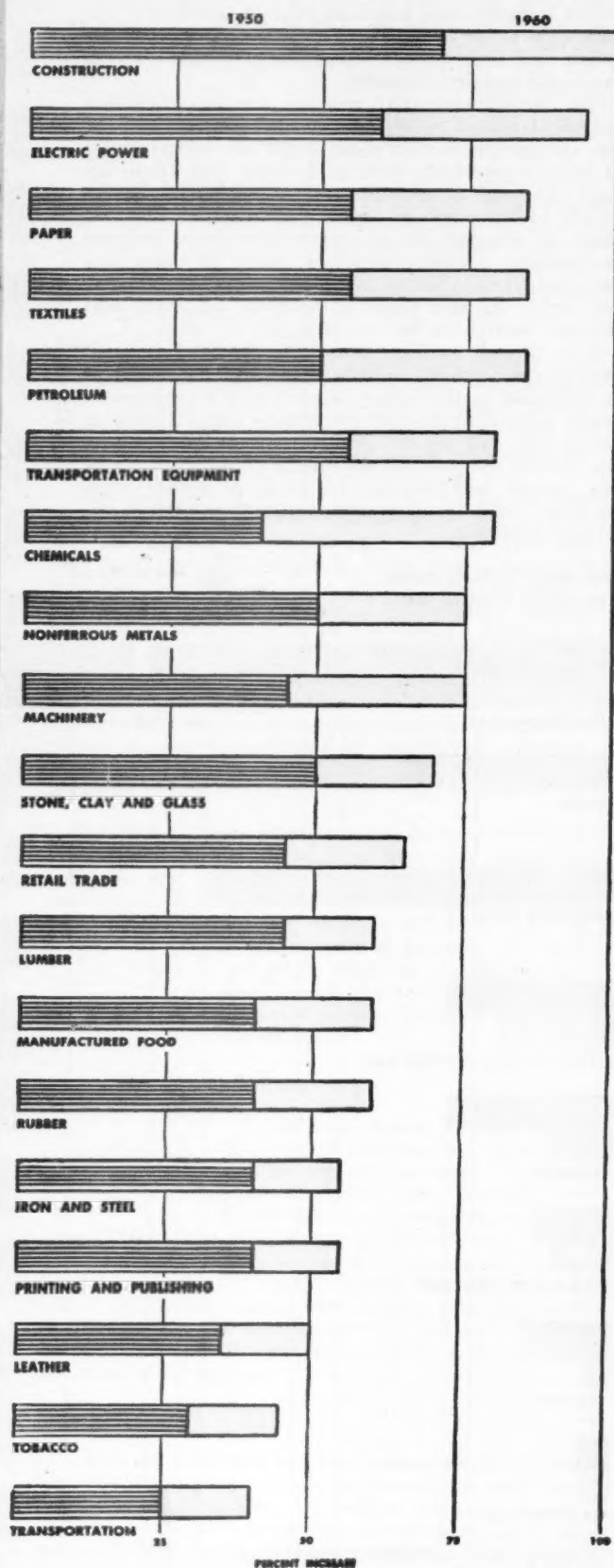
Even though we have been using up lumber faster than it grows, there is little doubt that enough will be available in the future to meet at least minimum needs. Annual timber growth runs to about 32 billion board feet. But we cut over 40 billion board feet a year before the war and lost another 6 billion through fire, insects, and disease. An adequate conservation program could increase annual growth enough to offset this depletion.

OUR NATURAL RESOURCE RESERVES
Years required to exhaust supplies

1940 RATE OF USE
WARTIME RATE



**PRODUCTION PROSPECTS: Estimated Percentage Increase
in Industrial Activity Over 1940**



INDUSTRIAL CAPACITY

At the end of World War II U. S. industry found itself with surplus capacity in some lines and serious deficiencies in others. There was more than enough aircraft, machine tool, and synthetic rubber capacity but not nearly enough sheet steel, copper, or electrical machinery capacity to meet pent-up demands.

War experience showed, however, that industrial capacity can be expanded enormously in a few years, given the need and the funds. Thus lack of industrial capacity should not prove a bottleneck to meeting the demands of consumers in the 1950 decade.

A rough estimate places our total investment in industrial facilities (manufacturing, mining, transportation, and distribution) at \$200 billion. Just how much capacity industry as a whole, or any given industry, has is impossible to measure.

Capacity is a most elusive concept. In a technical sense, the capacity of an industry is the combined production of all its plants working 24 hours a day, 365 days a year, less an allowance for repairs, breakdowns, and other technical factors. Actual capacity is far less, however. Some facilities are obsolete or high-cost. Supplies of raw materials and components may be insufficient to keep assembly plants running full-steam. Moreover, demand for many products isn't great enough to support round-the-clock production.

PLENTY OF CAPACITY

During the past quarter century, however, experience shows that we have had more than enough overall capacity, and more than enough capacity in almost every industry, to meet all demands. An extensive study showed that even in 1929 only the steel and machine tool industries were definitely operating at capacity.

The growth of productivity as old machines are replaced with new and more efficient ones and as new techniques are developed is one of the main reasons why industrial capacity more than keeps pace with markets. The depression of the 1930's led to a net retirement of about 5% of total manufacturing facilities but manufacturing plants in 1939 could have turned out a quarter more than in 1929 because productivity was a third higher.

Whenever an industry's output begins to approach technical capacity, it becomes profitable to purchase new and more efficient equipment to replace or supplement existing machines so that a certain amount of excess capacity seems to be inevitable in a free enterprise system.

Estimates of the level of industrial production in different lines under conditions of high-level employment during the 1950 decade are shown in the chart. They assume that past trends will continue so that they give only a rough idea of what would happen to output in each industry. Unpredictable shifts of consumer demand or new product developments might cause a big change in the pattern of industrial production. Such estimates are, nevertheless, useful in that they provide a clue to lines where the largest increases may take place.

None of the projected increases are so large as to tax our ability to provide enough capacity. This is not to say that there will be no bottlenecks because of lack of capacity for certain components, for instance. However, we should be able to make good in short order any deficiencies of that sort that may develop.

DEMANDS VERSUS NEEDS

Despite the substantial increase in living standards which would be possible with high-level production and employment in the 1950 decade, many U. S. consumers will be unable to buy enough of life's necessities to maintain themselves at a health and decency level. Almost 30% of all families would receive less than \$1,000 a year cash income and one-third of this group would receive less than \$500.

The 20th Century Fund asked a series of experts to estimate the quantities of food, clothing, housing, medical care, and other things needed to provide a standard of living at a minimum health and decency level. The experts also figured out how much it would cost to bring everyone expected to be below that standard in 1950 and 1960 up to the calculated level. In other words, the estimates show the cost of establishing a "floor" for consumption without disturbing the spending patterns of those who received more than enough income to satisfy the calculated minimum needs.

ESTIMATES OF NEEDS

Any estimate of "needs" must rest upon someone's opinion as to what constitutes "health and decency" in this day and age. In the case of food, the nutritional requirements of a minimum health and decency standard can be determined accurately. In other fields, such as housing and education, even the experts would disagree over what constitutes a minimum standard.

However, what is important is not the precise size of the estimates but their general magnitudes. The conclusion that we would have to spend about 50% more on medical care than we are likely to in 1950 is important even if the experts' appraisals of the deficit range from as high as 60% to as low as 40%.

To fill total needs calculated in this manner would require production of \$200 billion of goods and services in 1950 or 13% more than the \$177 billion which would be turned out with high-level production and employment. In 1960, estimated production would fall short of needs by 8%. Food accounts for the biggest share of the deficit but needs outrun demand by important margins in housing, medical care, education, and social security.

TO MEET

ALMOST ALL

OUR NEEDS

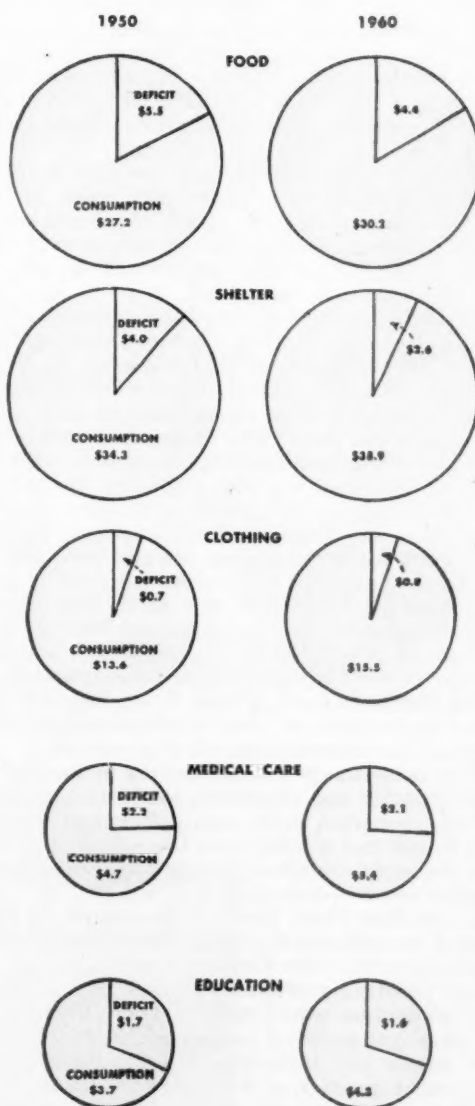
To provide nutritionally adequate moderate-cost meals for those unable to afford them would add \$5.5 billion to the \$27.2 billion that would actually be spent on food in 1950. This assumes no change in diets of those with adequate incomes despite the fact that many people in those groups do not eat what they should. If we all ate what we needed, we would consume twice as many fresh vegetables as in 1940, half again as much milk, more fruits and tomatoes; and we would eat smaller quantities of sugar, sirups, fats, and oils. This better diet would cost us less than we will actually spend for food in 1950.

So large a portion of our existing housing is unsatisfactory by any reasonable standards that it would take 10-15 years to provide everyone with adequate housing. One of the reasons why we don't have adequate housing is that many consumers cannot afford to pay enough rent to finance it. Estimated expenditures in 1950 for rent (including the estimated rental

value of owner-occupied homes) would run to \$14 billion as against an estimated need of \$16.4 billion.

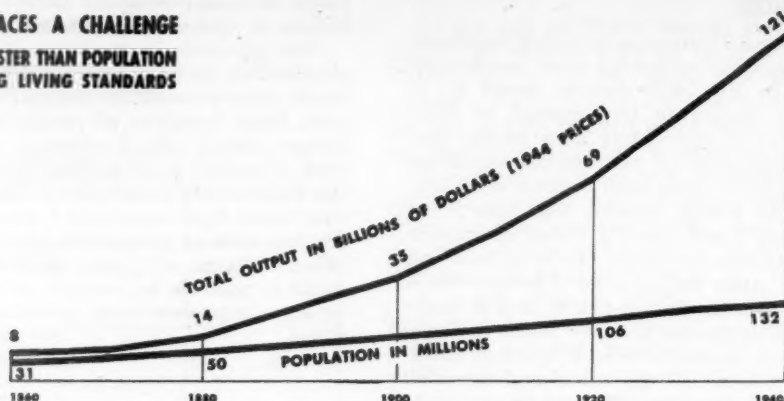
Vast advances in medicine have gone far toward eliminating many diseases and have brought about a steady improvement in the standard of health. However, large numbers of people in the lower income groups cannot afford adequate medical care. Moreover, to supply good medical care for everyone under the traditional fee-for-service basis would cost several times more than consumers have ever spent for medical services even in prosperous years. Development of an effective form of group medicine, however, would make it possible to provide adequate care at a great saving over present costs, according to the 20th Century Fund.

HOW CONSUMPTION WOULD COMPARE WITH TOTAL NEEDS
(Figures in billions of dollars)



THE U. S. ECONOMY FACES A CHALLENGE

PRODUCTION HAS GROWN FASTER THAN POPULATION
GIVING PROMISE OF RISING LIVING STANDARDS



The major conclusion of the 20th Century Fund's survey of America's needs and resources is that we have reached a point where we can provide everyone with a decent living and most people with a living which, by any standards other than our own, is positively luxurious. With high-level employment, it would take only a 13% increase in total output in 1950, and an 8% increase in 1960, to lift everyone to a minimum health and decency standard of living.

We have more than enough industrial and agricultural capacity to support that much of an increase in total production. Lack of natural resources should not be a bottleneck, for with world trade on any sort of a reasonable basis we will be able to get all the raw materials we need.

The only limiting factor is the capacity of our labor force to produce. The 20th Century Fund assumes that productivity will advance at the average rate actually achieved during the past 9 decades (18%). But there is no technical reason why we cannot achieve an increase of more than 30%. That would make possible enough production to meet our minimum needs.

The U. S. economy has exhibited two dominant characteristics in the past century. Our productive capacity has expanded at a rate never approached elsewhere. But our economy has also been highly unstable. Our problem is to make the most of our unparalleled technological and productive know-how while minimizing the swings of the business cycle.

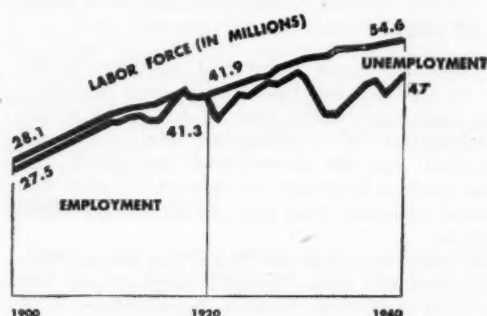
If we can meet that challenge, we can eliminate the specter of want and move on toward constantly rising living standards for everyone. Never before in history has a nation been so close to abolishing poverty and meeting the material demands of its citizens.

This is not to say that solving the problem of maintaining stable and expanding production would solve all our economic, social, and political problems. Nor is it to say that a solution of the problem of keeping our economic machine running on an even keel is at hand.

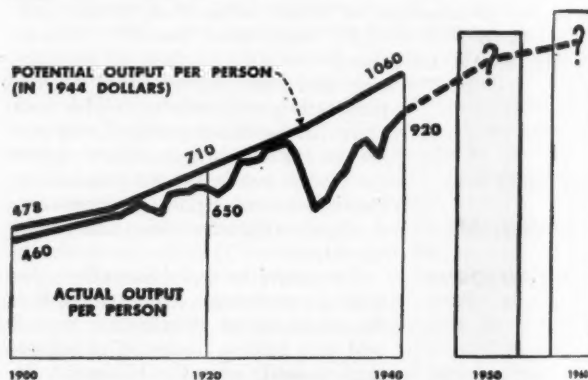
In the first place, the U. S. would not be a utopia even if we achieved the kind of high employment and production the 20th Century Fund is talking about. Many perplexing problems of how to best distribute our production would remain. Then there are a host of social and political problems which would still tax our efforts and ingenuity. Finally, there is the all-important question of how to maintain world peace.

Most people would agree that the problem of maintaining high employment and rising living standards is still far from solution. Our ability to mobilize and direct our economic resources so as to keep our

BUT THE GROWTH HAS FOLLOWED THE BOOM AND BUST ROUTE INVOLVING LONG PERIODS OF MASS UNEMPLOYMENT



CAN THE ECONOMY PROVIDE STEADY EMPLOYMENT AND RISING LIVING STANDARDS?



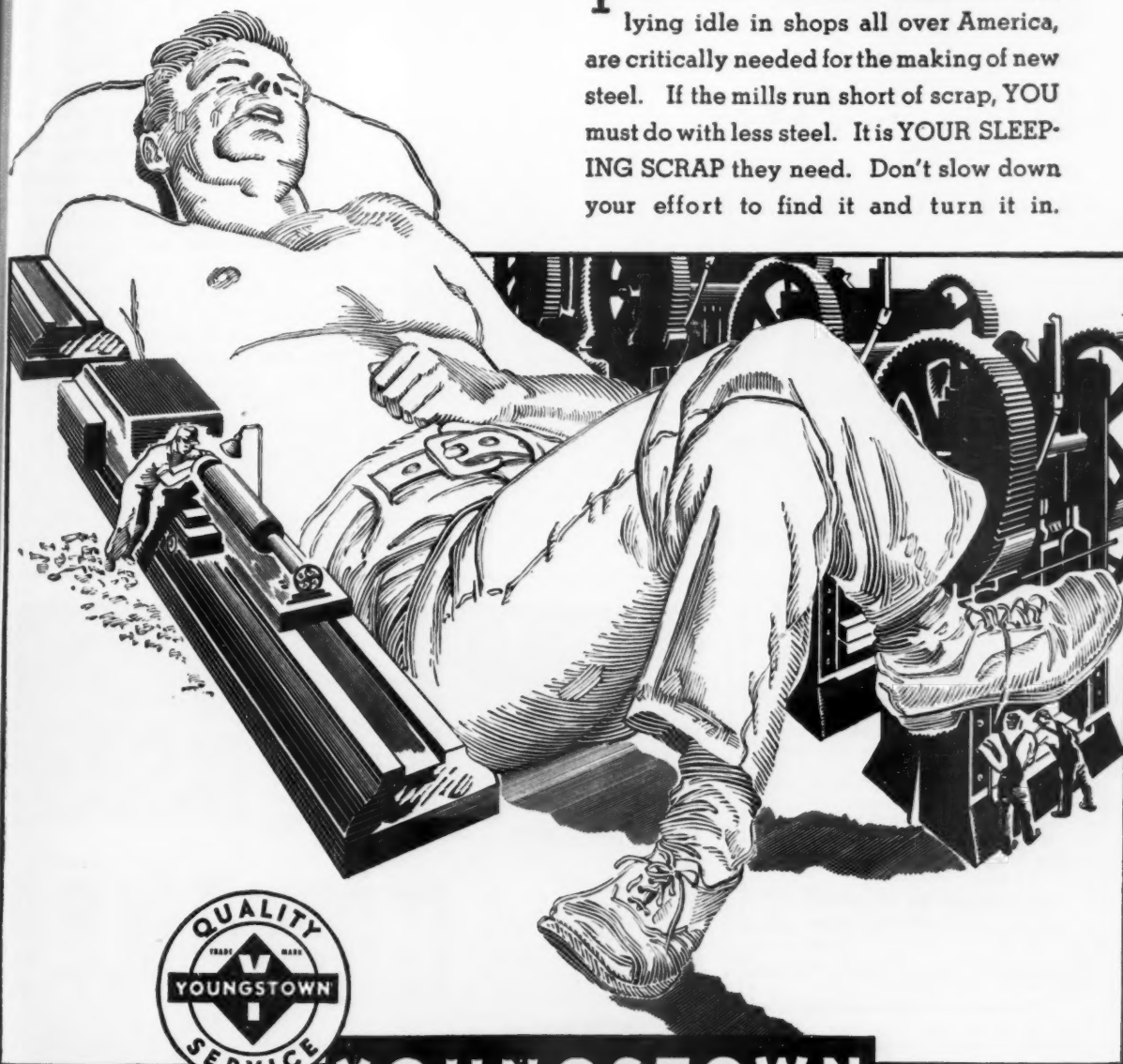
economy running on an even keel has lagged behind our ability to solve technical production problems. Each businessman, each worker, and each consumer must somehow learn to act differently in many ways than he has in the past if we are to solve our number one economic problem.

Just what changes in our economic life will be necessary no one knows. On our ability to find out these things and put them into practice in the next few years depends our success in meeting the challenge which the 20th Century Fund's study underlines. That challenge is that we have within our grasp the ability to eliminate actual want from the U. S. and to provide more and more things for better living for everyone.

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MARKETING

Fair-Trade Fight in Missouri

Small grocers, angered by drug chains' loss-leader sales of fruits and canned goods, campaign for minimum-resale-price law. But cooperation of grocery manufacturers is still uncertain.

In the sea of states with fair-trade laws, there are but three islands—Missouri, Texas, and Vermont.

Now a new fight is being waged by independent merchants to get a fair-trade law enacted in Missouri. Such bills are no novelty to the state's legislature; one got past the lower house in 1945, only to be stymied later (BW—Jul.21'45,p90). But behind the present proposal lies a loss-leader battle that dramatizes the issue between the price-cutters and their more orthodox competitors.

• **Grocery War**—Weapons in the warfare are fruits, vegetables, and dry groceries. Chain drug stores have been selling them at cut rates to attract trade, and the grocers are up in arms. They have joined forces with the independent druggists, frequently the leaders in agitation for fair-trade laws.

One of their principal targets is Katz Drug Co., a chain with most of its links

in Kansas City, Mo. Katz has been using basic grocery products as loss leaders since 1942. During the war, most independents got all the business they could handle—and were so busy handling it that they had little time to worry about chains' practices (BW—Jan.25'47,p55). Now the situation is different. And besides, other local drug chains have adopted the Katz tactic.

• **Coupon System**—Katz markets groceries (Mondays through Thursdays) by coupon ads in the local newspapers. A coupon entitles the bearer to buy a specified quantity of bargain groceries. Katz says this prevents housewives from stocking up on scarce items; but clerks are liberal in enforcement of most quantity limitations.

The grocery counters are at the rear of the Katz stores. On the way back, the coupon holder can't help seeing a variety of merchandise displayed much more attractively than the groceries—



TODAY'S FEATURE: A CLOSED HOUSE

In Washington, the Supreme Court was still deliberating a final decision in the government's antitrust action against eight motion picture producers (BW—Jan.11'47,p16). So in Cape Girardeau, Mo., the Esquire Theater shuts down to dramatize the pain of small exhibitors who would like to see the big integrated companies smashed. The Esquire claims it is unable to obtain films from the bigsters, says so in bright lights.

fruits and vegetables for instance, are repacked in plain, brown paper bags.

Quality—Katz reports it frequently pays higher than regular wholesale quotations to get premium-quality groceries.

Oranges, grapefruit, and fresh vegetables are the most frequent specials. But cheese, bacon, canned goods, spaghetti, and other items have all done duty in luring customers into Katz stores. Top flight national brands are used almost exclusively.

Drawing Power—There is usually a short queue for such groceries, but there have been occasions when scarce items brought in enough customers to fill up entire stores.

In the last year and a half Parkview Drugs, Inc., Katz' chief rival in Kansas City, has been using the same tactics. Parkview's management admits it would like to make money on its fruit and vegetable sales, but the policy of meeting Katz' competition prevents that. The Crown Drug Co., maintaining smaller stores than either of its rivals (but more of them), has continued to shy away from the loss-leader idea.

Retaliation—Grocers have counter-attacked. Nearly every grocery store in the Kansas City area is now handling a sizable line of drug staples—in some cases, at bargain prices. Milgram Food Stores, a local grocery chain, frequently advertises cut rate drugs.

Grocers also fight back by telling their customers that the drug outlets seldom have adequate stocks of the scarce grocery items that the housewife needs.

Law Preferred—But on the whole the grocery stores do not have much heart for a cut-rate war to the death with the drug chains. They would much prefer decisive legislative action that would make such practices illegal.

Many local grocers have been circulating petitions against the drug chains. The Retail Grocers Assn., official organization of grocers in Kansas City and outlying sections with a membership of over 400, has been more circumspect in its attitude. With high food prices very much in the public consciousness right now, the association fears that a too-active campaign in favor of price maintenance would not be smart public relations.

But in committee hearings, the association supported the bill calling for fair-trade practices on trademarked and nationally advertised brands.

Another Obstacle—The bill has just been O.K.'d by the committee. Even if it should eventually pass, the grocers may not be able to keep Katz and others from loss-leading on dry groceries.

There's still an obstacle: in the past, grocery manufacturers have been reluctant to put fair-trade restrictions on retail prices of their brands. (Most price

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137

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OPEN-SHELF SYSTEM FOR MORE PAINT SALES

Groceries and variety stores have no monopoly on the self-service idea. It is catching hold in paint stores too. American-Marietta Co., Chicago, conceived a color cafeteria to make stock easily accessible to the customer, to stimulate impulse buying, and to lessen clerking effort and expense. Fifty A-M. stores already feature the color cafeteria. The new setup—complete installation for a store grossing \$200,000 a year costs \$8,000—is being offered to all dealers handling A-M. lines.

maintenance in the grocery business has come through a different type of legislation—unfair-trade-practices laws.) But before the war, retailers in Ohio got several grocery manufacturers to fair-trade some items. General Foods entered into such agreements (BW—Jun. 18'38,p27) and so did the big soap companies.

• **Further Plans**—If the Missouri retailers succeed in bringing dry groceries under fair-trade, they might be encouraged to put pressure on big producers' organizations to keep their oranges and grapefruit out of Katz' hands. And when food prices come down from present high levels, the grocers will push an unfair-trade-practices act providing for definite markups at the wholesale and retail levels.

Kansas has both such laws in force—and prices on grocery items in Katz' lone Kansas outlet are always higher than in its Missouri stores.

DISC BOOM HELPS CBS

A timely index of the boom in phonograph records is Columbia Broadcasting System's first-quarter earnings report.

Per-share earnings from records went up to 33¢ from 14¢ a year ago. Broadcasting revenue (BW—Mar.22'47,p62) dipped from 71¢ to 54¢. Discs now account for 38% of the total compared to 16% in 1946.

Sellers Want Protection In a Buyers' Market

Signs of a returning buyers' market have businessmen thumbing the law books for protection.

Last week Rep. Wright Patman, co-author of the Robinson-Patman act, gave ladies' garment manufacturers his idea of how the R-P act can be used to counteract sharp department store practices.

• **"Violations"**—Speaking at the annual meeting of the Industrial Council of Cloak, Suit & Skirt Manufacturers in New York, Patman told his audience: unfair cancellations of orders or unjustified returns of merchandise violate the antidiscrimination objective of the law.

This was just what the manufacturers wanted to hear. Before the war, many retailers were notorious for returning goods and cancelling orders almost at will. The big ones could get away with it, their smaller competitors often couldn't. During the war there was no problem since buyers everywhere took all they could get. But the decline in soft-goods sales that characterized Easter buying (BW—Apr.5'47,p15) brought back the old practices. The stores have landed on top once more, and they know it.

Patman urged the manufacturers to

Everything in Piping Equipment . . . for Tanker Terminals, for example

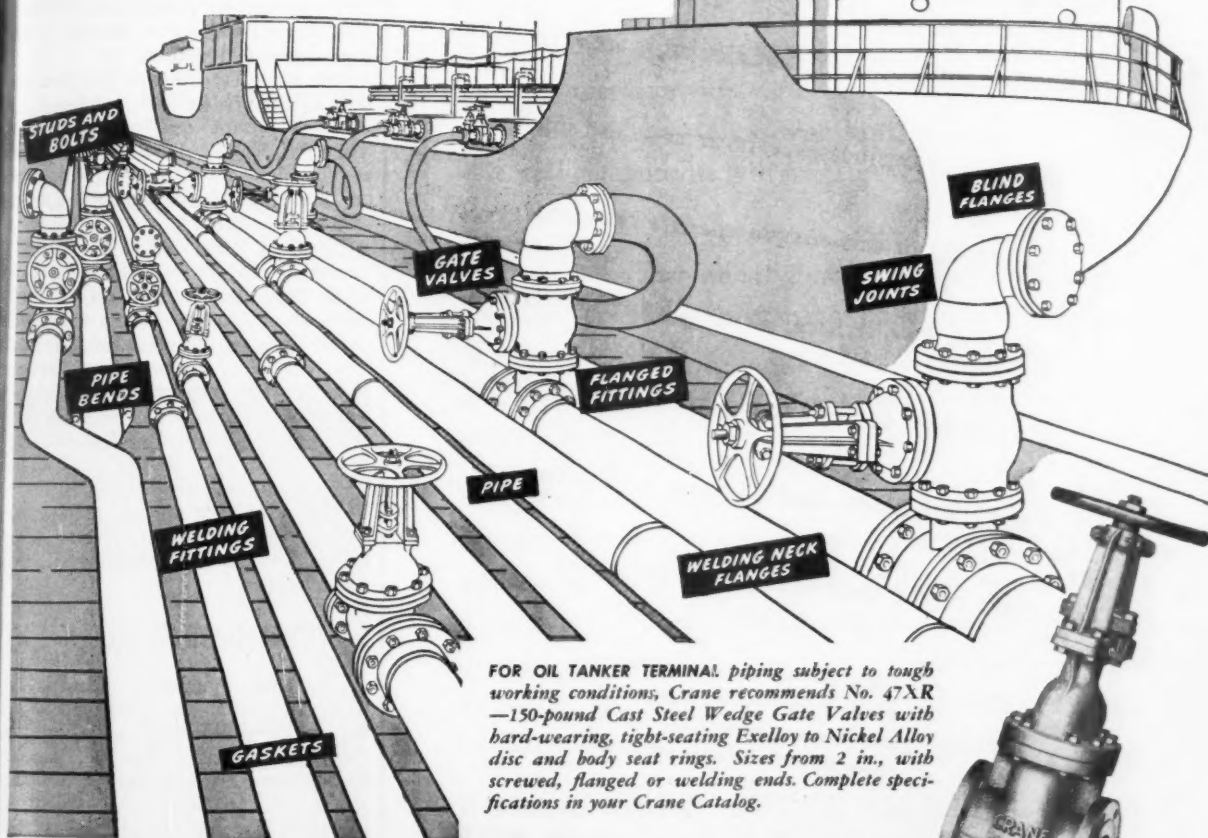
"Fast turn-around" . . . that's ship operator language for time saved at ports and docks. When a tanker cuts turn-around time, it also speaks well for the terminal's piping equipment.

Working conditions for such piping are by no means the best. To assure dependable handling of fluid cargoes, terminal management men see eye to eye with big piping users in every industry. They look to Crane for all piping equipment . . . and for quality that takes the guess out of pipe line performance.

Every step of piping jobs is simplified by standardizing on the Crane line. It gives you the most complete selection of brass, iron, and steel equipment for all applications. One order covers everything. Undivided responsibility for materials helps you get the best installation, while the outstanding quality of every Crane item assures uniform efficiency throughout piping systems.

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Rep. Wright Patman: Are some cancellations and returns unfair?

refuse to permit cancellations without adequate reason, and to decline to take back unjustified returns.

• **Two Bills**—Patman also discussed two new bills which he has introduced during the current session of Congress. The first, H. R. 1671, would permit any customer to know what discounts are available to every other customer of the same firm.

Patman's other bill, H. R. 1672, would prohibit tax deductions by chain stores when they deliberately run an establishment at a loss to force a competitor out of business. Idea for this one came from testimony in the recent antitrust action against A.&P.

• **Colorado Law**—Meanwhile the Colorado legislature has passed and sent to the Governor for signature a bill to prevent unfair trade practices in cigarettes. It would prohibit the use of cigarette as loss leaders by setting compulsory markups of 2% at wholesale and 6% at retail levels.

STEEL'S SHIPPING BILL

The costs a business must pay for transportation are more difficult to dramatize for public understanding than such items as wages. But the American Iron & Steel Institute has taken a crack at the job. Its weapon: A survey, just issued, of the industry's transportation bill for 1944 and 1945.

Like all other costs, the bill is up. The increase would have been even more spectacular if it had reflected 1946's railroad freight rate boost.

In 1944, steel's shipping bill came to \$873 million. This was almost five times the industry's net earnings of \$180 million and more than one-eighth

year's net sales of \$6,590,000,000. The cost of bringing in raw materials and supplies ran to \$508 million, 58% of the total. Outgoing shipments of finished steel accounted for the remaining \$365 million of transportation charges. (All figures include only those costs paid by the mills.) With 1945 output down due to reversion, shipping costs came to \$773 million, of which 60% was for incoming materials.

SEARS' AUTOMATIC WASHER

Amid the cheers which women send for automatic washers there are a few dissenting notes. The automatics require more hot water than wringer-type machines. They take more soap because the suds can be used only once. And they cost more.

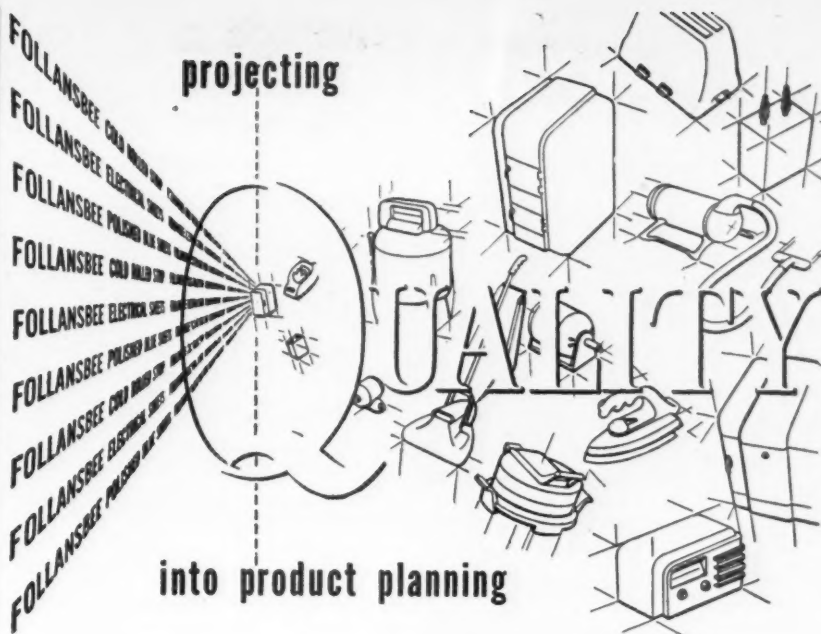
This week Sears, Roebuck introduced its Chicago stores the Kenmore automatic washer which is supposed to lick all these drawbacks:

(1) Its "Suds Saver" pumps soapy water into a receptacle while one batch of clothes is rinsed and damp-dried, then it pumps the suds back into the washer for use on the second batch.

(2) For small washings it is not necessary to fill it to the top with hot water.

(3) Retail price is \$209.95—lowest on the market. Other automatic washers range from \$229.50 to \$299.95. Non-automatics vary from \$80 to \$170.

The Kenmore was designed by Sundberg-Ferar of Detroit, and is made by Nineteen Hundred Corp. of St. Joseph, Mich. This marks one of the few times Sears has named the source of one of its private brand products.



Quality components will be the buyer's surest guide to quality products in the new era of competition. Manufacturers who can stress the quality of essential components will have first claim on purchasers' dollars.

Industrial designers and engineers who specify Follansbee specialty steels are projecting Follansbee time-proved quality into their new products; they are helping to establish their products in a market where the buyer will be king.

It is true that Follansbee steel products are still in short supply. But it is just as true that the specifications for Follansbee specialty steels are rigidly maintained. Therefore, you can plan to use Follansbee steel in products now in the design stage. Just tell us what types and quantities you will need and when you will need them so that we can advise you as to availability.

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The Egg and You

Prices are up all along the line, but not even farmers are happy. Government based its policy on mis-estimates.

Nobody is happy over the high prices of eggs this spring: Not the producers. Not the distributors. Not the consumer.

And not the Dept. of Agriculture egg specialists. They blame the whole business on a parity price law that is helping to keep egg prices up in a season when they normally go down. But the specialists will also admit that they mis-estimated the egg situation last January.

• **Up and Up**—The department's egg men knew last winter that egg prices

automatically would be higher this spring than last—regardless of the volume of egg production. A rising price level was boosting the parity price. And, by law, the government is bound to support eggs at 90% of parity.

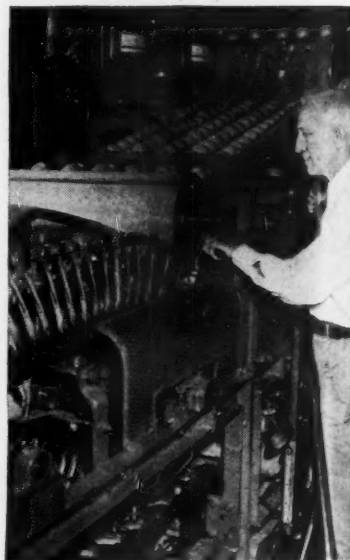
One thing government egg men did not foresee was that parity prices would jump in the middle of the flush production season for eggs. This move under the parity rule, the support level for farmers' prices in May was set at 35¢ a doz. This was 2¢ higher than the price had been during the preceding four months.

The government also underestimated the continuing high consumer demand for eggs. This stemmed from continuing high incomes and discontent with high meat prices. So USDA early this year started purchase of dried and frozen eggs—exporting most to Britain. Before it quit it had bought about 10% of the first quarter production. Result:



ORANGE MARKET AID

New machines may shift the marketing pattern in the orange industry—where perennial gluts are apt to threaten (BW—Dec. 28 '46, p30). Food Machinery Corp. believes its Super Juicer (above) may lead to daily doorstep delivery of "fresh" juice. Because the squeezer punctures instead of halving fruit, less rind gets in the juice, the flavor is better, it stays fresher for several days. Another big machine (right) is used to wrap 800 oranges a minute in Goodyear Pliofilm for an Oak Hill (Fla.) packer. Tests indicate that fruit in this "second skin" stays fresh several weeks longer than unwrapped fruit.



higher prices had far overshot parity, reaching 40¢ in March.

• **Merchants Critical**—Egg merchants were sharply critical of the federal price support operations. In Manhattan, Alfred Rich, business manager for the Butter & Egg Merchants Assn., commented: "With egg dryers getting \$1.20 per lb. from the government (\$1.25 after May 1), they can afford to pay almost the same price as those who sell for usual consumption."

Rich said this meant that the government is not supporting the market at 33¢ or 35¢, but at 39¢.

• **Farmers and Consumers**—But even though farmers are getting the highest springtime egg prices in 27 years, they aren't happy either. Much of the mid-season rise in parity was due to a sharp increase in prices of feed. And while feed producers cheered this rise, feed buyers asserted it canceled the gain in egg prices.

Adding to consumers' prices, according to the Agriculture Dept., is the increase of distributors' margins on eggs this season. The spread between farm and retail prices of eggs in January, it says, was 15¢ per doz., compared to 12.9¢ in January last year.

Cold storage men are also in the unhappy rank. They consider current prices too high to yield a profit on storing eggs through summer. Thus hardly any eggs have gone into storage this season. Stocks of shell eggs on Apr. 1 totaled only 495,000 cases, compared to 771,000 cases on the same date last year.

• **Fewer Hens, Fewer Eggs**—There were other factors, too. Farm production of eggs has increased seasonally since last November. But the total output during the first quarter of 1947 was only 15,550,000,000 eggs, compared to 16,110,000,000 in the same period of 1946. Most of this decline was in March. Bad laying weather, and a 9% reduction from a year ago in the number of hens and pullets on farms this spring, caused most of the decline.

Because of the smaller flocks, farm production for all of 1947 is expected to total only 50,400,000,000 eggs. In 1946 the total was 55,860,000,000.

On the basis of the production estimates (plus the smaller-than-usual proportion of the output that has gone into cold storage to date) the Agriculture Dept. figures the supply of eggs for the last half of 1947 will be about 10% smaller than in the same period last year.

But the department forecasts that the price of eggs won't rise as much as it usually does during the summer and fall period of declining production. It expects that smaller consumer incomes and larger meat supplies during the last half of this year will reduce the demand somewhat.

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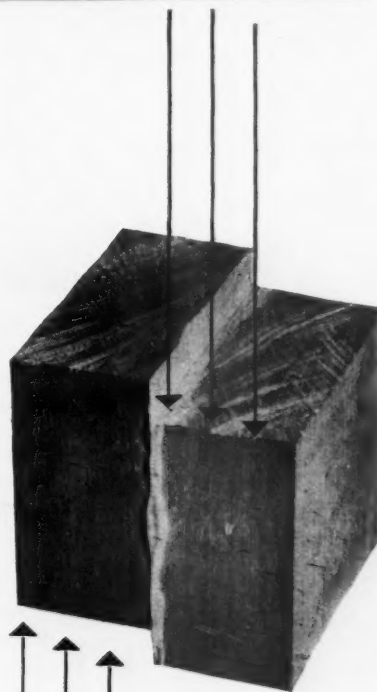
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WOOD-LOK is the only type of liquid resin glue that can be handled after a clamping time of only 20 to 30 minutes — instead of 6 to 8 hours. Its characteristics never change. It has a storage and working life of months, not 3 to 4 hours . . . remains in perfect liquid form without the use of ice pans . . . maintains its maximum bonding strength under all normal working conditions.

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PRODUCTION

Industry Looks to the Soil

Considerable progress is being made in the conversion of agricultural products into industrial raw materials. Chemurgy may open up new areas for decentralization of industry.

Agricultural products may supply an answer to one of the big problems posed by industrial decentralization (BW—Nov. 23 '46, p31).

Efficient decentralization demands factory location near raw material sources. Frequently this has ruled out areas which from many other aspects would have been advantageous. But plant life is assuming increasing importance as a source of industrial raw materials. With continuing progress in this science (chemurgy), industry can spread out into areas formerly considered impractical for expansion.

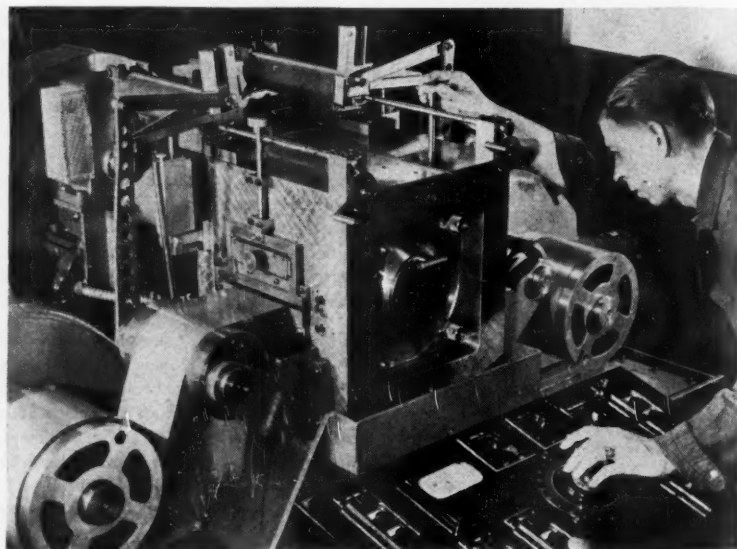
● **Evidence**—The importance of chemurgy in aiding decentralization will be one phase of discussions during the National Decentralization Conference in Oklahoma City, May 8-10.

Additional evidence, in the form of new developments in soil-born raw materials, was presented at the recent an-

nual conference of the National Farm Chemurgic Council.

● **Renewable Raw Materials**—Chemurgy is perhaps most familiar to the layman as the "science of soybeans"—ever since Ford's widely publicized efforts in that field. With supplies of mineral raw materials on the decline, chemurgy is now assuming greater importance in the industrial picture—because the soil provides a source of renewable raw materials.

A recent example is du Pont's announcement of a process to convert corn cobs, oat hulls, and peanut shells into an intermediate chemical for the manufacture of nylon (BW—Apr. 5 '47, p52). Other examples are the successful conversion of seed-flax straw into a raw material for paper; the use of alcohol obtained from grain to manufacture synthetic rubber; the numerous industrial materials obtained from corn; the



LONG ROLLS FROM A LITTLE MILL

For precision work, a miniature rolling mill at Westinghouse Electric Corp.'s research laboratories converts a 100-ft. length of metal 1/40 in. thick into a mile-long, tissue-thin strip, 1/2,000 in. thick. Not much bigger than a blueprinting machine, the mill is used in the production of Westinghouse's new magnetic alloy, Hiperco (BW—Feb. 22 '47, p44).

adaptation of soybean derivatives as raw materials for paints and plastics. The list of potential materials for industry is extensive; more are on the way.

• **New Projects**—The Midwest Research Institute (BW—Sep. 7'46, p21) is now working on a number of chemurgic projects. Many are in the "hush-hush" status, but some information is available:

• A study is being made under the sponsorship of the Corn Products Refining Co. of processes for converting sorghum grain into starch, dextrose, sirup, wax, and oil. The starch, dextrose, and oil obtained are similar to those produced from corn. The wax could supplement the currently short supply of vegetable waxes.

• A large grain company is interested in developing suitable methods for the fermentation of grain into organic chemicals. An advantage of this would be that the process could utilize grains unsuitable for human consumption.

• A comprehensive survey is under way on agricultural fibers. This is expected to lead into specific research to determine which plants can be economically converted into synthetic fibers.

• **Peanut Fiber**—Commercial production of fiber from peanut protein may be started soon. Sessions, Inc., of Enterprise, Ala., is planning to produce the raw material by a solvent extraction method. The Southern Regional Research Institute has done considerable work on peanut derivatives (BW—May 4'46, p58).

Recent experiments there have produced a fiber called Sarelon said to have good shrink resistance and dimensional stability, as well as an affinity for dyes used on natural protein fibers. However, it has low strength when wet.

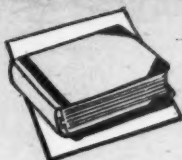
• **New Sources of Tannin**—Serious shortages in vegetable tannin, which existed at the beginning of the war, led to a feverish search for new sources to replace hemlock, chestnut, and chestnut oak in this country, and mangrove and quebracho wood from the Indies and South America.

Best replacement sources to date, according to researchers at the Chemurgic Conference, seem to be oak from central Florida, and buttonwood from southern Florida. Work on tannin projects is now being done by the Miami (Fla.) Research Foundation.

• **Waxes Short**—Chemurgy may provide some degree of relief in the vegetable wax field. Annual world production of waxes of this type is about 35 million lb. U. S. industry uses about 80% of it, although most is produced outside this country.

Supply does not equal demand. And the situation is getting worse: Demand has been spiraling because of increased use and new applications. An additional factor of some importance is that vegetable waxes can be produced from

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THE HIGH PRICE OF SELLING

You do not like it when your salesmen are given the run-around. It boosts your sales costs.

But as a buyer do you give salesmen a fair shake?

If you keep them waiting long, you increase the cost of what you buy.

Moreover, impatient salesmen may get into the habit of passing up your office. That way you miss out on some good ideas.

Ever since Marco Polo's day, salesmen have been the great purveyors of good ideas—new, profitable ideas. If their proposition doesn't benefit you, they don't want you to buy. All they ask is a hearing.

According to the American way of doing business, he is thrice blessed who says *Come In!*

He is blessed with new facts, new ideas, new horizons.

And the time for such blessings should not be limited to two hours a day.

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plants that thrive on marginal lands.

- **Present Sources**—Vegetable waxes are found on the leaves, fruit, and flowers of all plants. The limiting factor on commercial extraction of wax from any particular species of plant are three: the amount of wax on the plant, the ease (and hence the cost) of extraction, and the quality of the end product.

Today, more than half of the world's vegetable wax comes from the carnauba palm tree of northern Brazil. Two other big sources are the candelilla plant, which grows as a weed in northern Mexico and southern Texas, and esparto grass, found widely in northern Africa and southern Spain.

- **New Sources**—Experiments aimed at economical extraction of good-quality waxes from other plants have been many. Most have met with little success. But a few now show considerable promise. Cotton fiber, for instance, has a wax coating which can be extracted with carbon tetrachloride; the wax obtained has a somewhat higher melting point than regular vegetable waxes. Glidden Corp. has been experimenting with a native U. S. shrub called jojoba. The seed of this shrub produces a liquid wax which can be converted to the solid form by hydrogenation.

S. C. Johnson & Sons, Inc., reports considerable progress in the extraction of wax from sugar cane. The cane is coated by nature with a thin layer of wax. In the past, attempts to design equipment which would physically remove the wax before the production of sugar have proved failures. However, about half of the wax is trapped or precipitated in the clarification of sugar juice, and ends up in the "press cake"; the other half is carried along and discarded with the pulp refuse (bagasse).

- **Extraction Method**—By using solvent extraction, it is possible to remove the wax from the press cake, and then refine it to remove undesired materials. It is estimated that the Louisiana sugar cane crop would produce about 25,000 tons of crude wax. This exceeds the annual world production of carnauba wax.

Cuban-American Sugar Co. and S. C. Johnson have built a plant in Cuba for the extraction of crude wax from sugar cane. Commercial production has been under way for a year. A refinery for this wax is now being built in Louisiana.

- **Conservation Stressed**—But the expansion of chemurgy brings a warning, aptly summarized by International Harvester's executive vice-president, P. V. Moulder.

The average layer of topsoil in this country is about 7 in. thick. Our dependence on it for food has stimulated soil conservation and enrichment measures through the years. Now, if the soil is also to supply a major portion of industry's raw materials, conservation becomes an absolute must.



Mirage on Main Street

A RECENT survey of public opinion indicated that lots of folks have been "seeing" a mirage of railroad profits that weren't there.

Most people thought that 10% would be a fair profit for railroads—nine out of ten said 6% or more would be fair. But the fact is that the railroads don't come out anywhere near that well.

In the years since 1938—four of them war years of tremendous traffic—the railroads earned an average of only 4% per year on their net investment in tracks, cars, engines, shops, stations and all

the things it takes to produce the rail service which the nation needs.

In 1946—with wages and prices of material and fuel up more than 50% above prewar levels—railroads still hauled freight at prewar rates. Even with a slight increase in rates during the latter half of the year, their earnings on net investment dropped to an average of only 2¾%. Some railroads earned more, but others showed no profit at all—were, indeed, in the red for the year of the heaviest peacetime traffic in history.

At the end of 1946, the Interstate

Commerce Commission authorized higher freight rates to become effective in 1947. These increases will help the railroads to meet their rising costs, and will give them a better chance to improve their equipment, roadways and other facilities—improvements necessary for continually better service to the public.

But even with these increases, in 1947 railroads will probably average little more than 3% on their investments—just about half the 6% which is as little as anyone would consider a fair profit.

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New Compounds

Chemists' meeting in Atlantic City draws nontechnical men, who learn of coming materials. Silicone research widens.

Interest in chemical research is spreading far beyond the laboratories. Last week, the Atlantic City meeting of the American Chemical Society was crowded with nontechnical men eager to hear of new materials on the way. They weren't disappointed, either, for the chemists uncovered new developments in silicones, plastics, and adhesives.

• **Growing Research**—Attention centered on the silicones, the organic-inorganic compounds now getting into large-scale production (BW—Mar. 29 '47, p47). Eleven papers were presented on their various compounds. Evidence of growing corporate interest in the silicones: Three organizations, Carbide & Carbon Chemicals Corp., E. I. du Pont de Nemours, Inc., and the Miner Laboratories, Chicago, added their contributions to those of Dow-Corning Corp. and General Electric Co. in silicone research.

One of the interesting silicone developments revealed at the meeting promises better highways. To the nontechnical man, the compound's chief attribute is water repellency. One important application: It can be used to prevent asphalt roads from cracking. (Cracking, or stripping, occurs because the gravel under the blacktop absorbs moisture.)

• **Silicone Fluids**—Carbide's contribution to silicone research is a new series of fluids which have potential uses in precision casting, as binders for ceramics, impregnants for waterproofing building-stone, and in the preparation of glass-adhering lacquers.

Du Pont researchers discussed silicone fluids which show compatibility with hydrocarbons (a problem with certain silicone compounds). One of the starting materials is butyl alcohol.

• **Plastic "Alloys"**—Plastics and adhesives also drew attention. D. W. Young and R. G. Newberg of Esso Laboratories described new plastic "alloys." These "alloys" consist of synthetic rubber chemicals blended with plastic resins. Thus butadiene-acrylonitrile is combined with vinyl or phenolic resin. Result: a whole new series of materials combining some of the advantages of plastics and rubber. Forms vary from hard to soft, pliable to leather-like.

A new plastic adhesive, resistant to ice and boiling water, was described by Westinghouse researchers. The adhesive, first cousin to phenolic resins, is based on resorcinol-formaldehyde. It has un-



Aloft in a jeep, Fritz Nagel and Elisabeth Ackermann of Westinghouse Research Laboratories demonstrate their confidence in the new adhesive which they developed. The jeep is held up by blocks suspended from a hoist. And the blocks themselves are held together by the adhesive.

usual strength properties, sets at room temperature (or quick-sets at high temperatures) and withstands salt-water exposure. It works on wood, cloth, leather, rubber, paper, china, and plastics. But it won't work on metals or glass.

SOUTHERN INDUSTRY SHOW

The industrial South represents a bigger market than many manufacturers have anticipated. That was the consensus of exhibitors at Atlanta's Southern Machinery & Metals Exposition last week.

Visitors kept the booth personnel of more than 150 manufacturers busy answering questions on how their products might fit into expansion and rehabilitation programs.

Ford and Chevrolet displayed nearly 150 items that they would like manufactured in the South for their assembly plants now nearing completion outside Atlanta. Response from nearby plant operators indicate the job can be done.

Northern visitors were surprised by the large number of products being turned out by southern manufacturers. Atlanta's Atlantic Steel Co. showed Rigidized metal available in 18 patterns. Henry & Hutchinson, Decatur, Ga., featured an electric heat-sealing machine designed and built in conjunction with Westinghouse's development program on electric blankets. Allied Welding & Mfg. Co., Orlando, Fla., displayed a laboratory model of a hydraulic drum truck, and also a new orange-bagging machine.

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factory like Consolidated Vultee Aircraft Corporation or a small dress shop—you can expect *better* air conditioning from Worthington equipment because more of the vital "innards"—compressors, condensers, engines, turbines, pumps—are Worthington-built, assuring you accurate control, low-cost quiet operation, longer trouble-free life. More than 50 years of air conditioning experience means *there's more worth in Worthington.*

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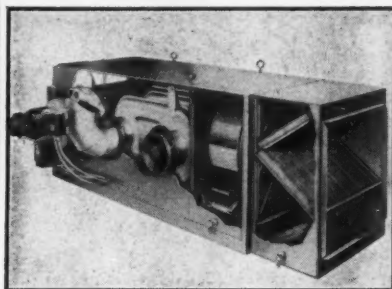
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NEW PRODUCTS

Hanging Heater

When floor space is at a premium and heating equipment must be installed, the Superfex Model 550 Suspended Oil Furnace provides an an-



swer. Manufactured by Perfection Stove Co., 7609 Platt Ave., Cleveland, it weighs 650 lb., can be suspended from existing ceiling beams or girders.

The furnace is entirely automatic in operation; a thermostatic control starts the burner and turns on the blower. When the thermostat is satisfied, the blower drops back to low speed and continues distribution of hot air remaining in the furnace.

Fuel is drawn from an outside storage tank by a heavy-duty, two-stage fuel pump. Filters remove dust and lint from the heating air. The furnace is rated at 200,000 B.t.u. per hr.

Availability: deliveries in June.

Water-Cooled Welder

For inert-gas-shielded arc welding, Linde Air Products Co., 30 E. 42 St., New York 17, offers a water-cooled torch. Known as HW-4, the torch has a lightweight flexible power cable, a gas cup made of nonconducting material, and an easily adjusted carbon electrode.

Cooling water flows through the torch and handle, and around the power-supply cable. A safety fuse in the water discharge line shuts off the power if the water stops flowing or the torch becomes overheated. Direct current, straight or reverse polarity, or high-frequency alternating current can be used.

Air Chaser

The Rex microfilm deaerator is intended to remove dissolved and entrapped air from liquid and semi-liquid foods such as vegetable and citrus juices and catchup. The machine is manufactured by Chain Belt Co., 1600 W. Bruce St., Milwaukee.

The deaerator consists of four basic elements: a vacuum chamber, a prod-

uct flow system, a vacuum system, and a control system. The product to be deaerated is introduced into the vacuum chamber in extremely thin streams. A portion of the product boils into vapor in the presence of a high vacuum. According to the maker, air up to 98% to 99% can be removed by the device.

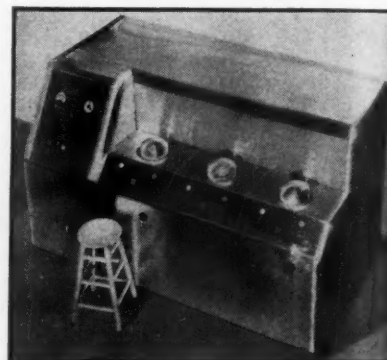
Availability: delivery dependent on type and size ordered.

Continuous Heat Treater

Continuous operation at temperatures of 1800 C is the claim for the new high-vacuum furnace developed by Eitel-McCullough, Inc., 1570 San Mateo Ave., San Bruno, Calif. The furnace is intended for heat treatment of materials which are highly reactive toward gases.

The standard model consists of three chambers integrated into a single enclosed cubicle. Cycling circuits permit one chamber to be in the treatment phase while one is under preliminary pumping and the third is being reloaded. Each chamber is equipped with a special high-speed oil-diffusion pump to maintain the vacuum.

Heating is done with large-diameter tungsten elements. The low voltage



used is said to minimize ionization problems. Interlocking safety devices protect furnace parts against temperature extremes; heating filaments are protected against burnout from operation at too high a gas pressure. The furnace has a treating capacity of 175 cu. in., consumes 15 kw. power.

Availability: 120 days after receipt of order.

Mobile Asphalt Mixer

All-weather mixing of asphalt is the aim of a new portable asphalt plant announced by Ford Industries, Inc., 197 W. Dunedin Road, Columbus 2, Ohio. Regardless of season, the mixer produces a workable mix, the company says, by

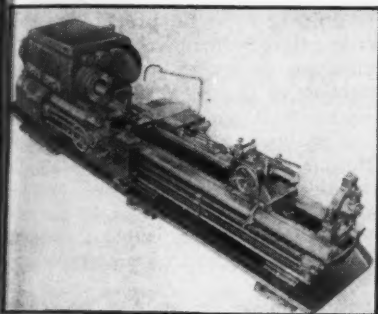
reconciling the temperature of the aggregate to the bituminous material. This assures "a mix that is easy to lay even in subfreezing temperatures." The mobile plant can be set up for production in from three to five hours. The mixing method used, in conjunction with a heating and drying unit, handles 40 tons to 50 tons an hr. One man can operate the machine. Availability: deliveries in late June.

Long Lathe

A hollow-spindle lathe, known as the Oil Country, is designed to meet special requirements of the oil industry. Axelson Mfg. Co., 6160 S. Boyle Ave., Los Angeles, is the maker. The new lathe performs work on such long members as the oilfield "kelly," and does other oilfield tool-joint jobs.

The new machine is manufactured in two sizes: a 20-in. lathe with 24 speeds, and a 25-in. lathe with 16 speeds. Beds are said to give full support to the rest of the lathe assembly, maintaining alignment under stress of heavy-duty cutting. One custom lathe of this type was built with a length of 38 ft.

Headstock case on the new machine is one piece, oil-tight. The hollow spindle inside is mounted on two sets of antifriction bearings. All gears in



the spindle driving train are of alloy steel, carburized, hardened, and profile ground. The automatic spindle brake is synchronized with the main driving clutches to permit rapid stopping and reversal of spindle rotation.

X-Ray Camera

North American Philips Co., Inc., 100 E. 42 St., New York, has a new powder camera on the market, intended for X-ray diffraction work. This high-intensity, high-resolution camera uses a new slit system designed to produce clean film patterns and reduce exposure time.

In operation, finely ground samples of the material to be analyzed are placed on a spindle rotating in the center of the camera. X-rays are then directed through a tube to the sample. This

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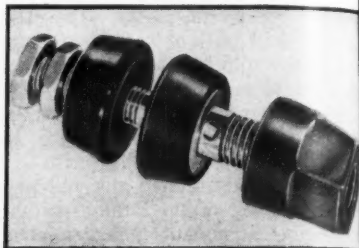
primary beam is conducted from the camera by a second tube. Rays diffracted from the sample, however, are thrown on a film, giving a pattern characteristic of the specimen.

Other features include: light-tight cover design; precise alignment; a universal mount which adapts the camera to most types of X-ray apparatus.

Availability: immediate delivery.

Five-Way Binding Post

A new binding post, type DF, manufactured by Superior Electric Co., 4107 Church St., Bristol, Conn., offers electricians five ways of connecting electrical leads:



(1) Permanent clamping of wire up to Size 12 by passing through the plug's center hole and tightening the head; (2) looping wire around the center shaft and clamping it by tightening the head; (3) plug in connection of a standard 3-in. plug resembling a phone jack; (4) clip-on connection by removing the head and clamping on the center shaft; (5) connection by placing a spade-lug on the center shaft and tightening the head.

The binding post, called the Superior, is completely insulated from the mounting panel. Recessed metallic components are intended to assure a "dead front" for instrument and user protection. Current carrying capacity is 30 amp.

Availability: deliveries in two weeks.

Quick Mixer

Pressure and agitation are used by the Speedmullor to solve ingredient mixing problems encountered in the plastics, food, and chemical processing industries. Beardsley & Piper Co., 4711 W. Division St., Chicago 51, claims that mixing can be accomplished in approximately one-fifth the time required by conventional methods.

Centrifugal force provides the necessary mulling pressure. The force holds the material being mulled in suspension on the sides of the bowl in contact with the mulling wheels.

Speedmullors are available in sizes from 3 cu. ft. per batch to 20 cu. ft. per batch. Time per batch is from one to 4 min., depending on the character of the mix desired.

Availability: delivery in 60 to 90 days.

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FINANCE (THE MARKETS—PAGE 122)

Ford Becomes a Matriarchy

Mrs. Henry Ford, as executrix, now controls company. Later Mrs. Edsel Ford will administer 52.4% of voting stock temporarily. Tax battle looms to determine actual value of company.

The vast empire of the Ford Motor Co. temporarily has become a matriarchy.

Its empress is Mrs. Clara Ford, Henry's widow. As executrix of his estate she now controls the company, because she administers the 55% of the outstanding voting stock which Henry Ford owned.

Its crown princess is Eleanor Ford, Edsel's widow, who will get control of 52.4% of the voting stock when the Henry Ford estate assets are dispersed. **• Stock Disposition**—This became evident last week when Henry Ford's will was filed. Nothing in it indicated that the passing of its founder would change the company's operational complexion (BW—Apr. 12 '47, p17). But until 1950, at least, the nearest thing to complete financial control would rest in the hands of the family's women.

The reason for this was the disposition Henry Ford made of his approximately 1,900,000 shares of stock. Of this, 1,805,000 shares had no effect on the family control; it is nonvoting stock, and was left (tax free) to the charitable Ford Foundation. The other 95,000 shares were voting stock. Henry's will divided this remainder into five equal

parts—one for his son, Edsel, the father of Edsel's four children. But because Edsel is dead, all of it presumably goes to his children. (A possible exception is a small share directly to his widow, Eleanor.) However, two of the Edsel Ford children have not yet reached 25 years of age. Their mother will control the stock as trustee.

• Edsel's Children—Before Henry's death, Eleanor Ford and her four children each held 8.3% of the voting stock. The children are Henry II (now president of the company), Betty, Mrs. Walter Buhl Ford (Edsel's daughter who married a nonrelated man), and William.

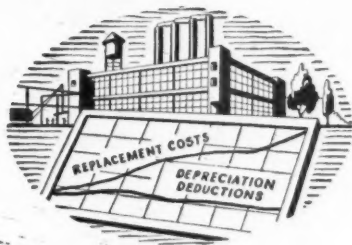
Henry Ford did not change his will after Edsel died. If, as is generally assumed, the stock now legally goes to the four grandchildren, the breakdown would be:

• Each Edsel child, 8.3% from Edsel estate, plus 13.75% from Henry's. Total: 22.05% apiece.
• Mrs. Eleanor (Edsel) Ford, 8.3%
• Mrs. Clara (Henry) Ford, 3.5%
• Trusteeship—Mrs. Edsel Ford as trustee for Mrs. Walter Buhl Ford until she becomes 25 on July 7, 1948.



Dominant figures in the ownership of Ford Motor Co.—until 1950—were Mrs. Henry Ford (left) and her daughter-in-law, Mrs. Edsel Ford.

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Those corporations which were unable to make appreciable additions to plant and equipment during the war, are apt to find themselves operating under inadequate depreciation schedules today.

Since 1940, the replacement cost of much equipment has almost doubled. Construction costs have soared. Yet, tax rates based on low original cost do not permit adequate depreciation deductions from current income. The result is a serious impairment of the capital available for essential replacements or expansion.

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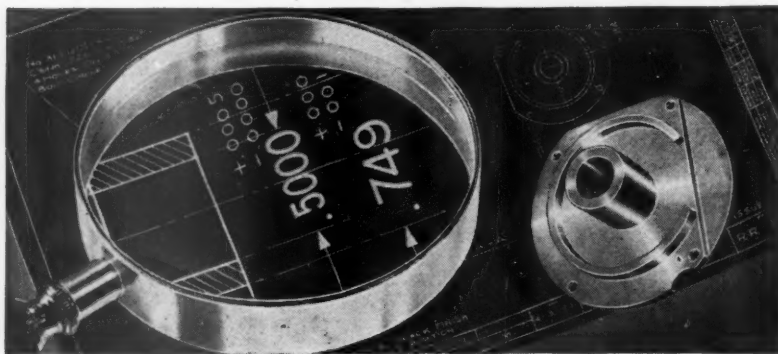
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for William until he becomes 25 in 1950. Thus with her own and trustee votes (after the Henry Ford estate is settled), she can exercise majority control (52.4%) until July, 1950. From then until 1950, she will own 30.35% of the voting stock—the large chunk in one person's hands.

Meanwhile, the will's transfer of voting stock has thrown the finances of Ford Motor Co. into the third dispute of its history. Nub of the battle: How much, for tax purposes, is Ford Motor Co. actually worth?

• **Final Settlement**—The answer will not come for a long time: The controversy which occurred when Edsel died in 1943 is still going on. But there is little doubt that the final settlement in both the Edsel and Henry Ford estates will be determined against the extensive background of the first battle.

That took place in 1919, when Henry Ford sold 41.5% of the stock sold out to the Ford family. James Couzens, one of the early shareholders, sold his \$100-par-value shares for \$12,500. The court held that the value of those shares on Mar. 1, 1913, (the date the federal income tax became operative) was \$10,000 apiece.

• **\$58 Shares?**—It is on this case, the estate is basing its claim in the Edsel Ford tax disposition. It argues that Edsel's shares were worth \$58 apiece at the time of his death. The some 71,000 taxable shares, therefore, would be valued at \$4,152,800, and would be taxed at about \$3 million.

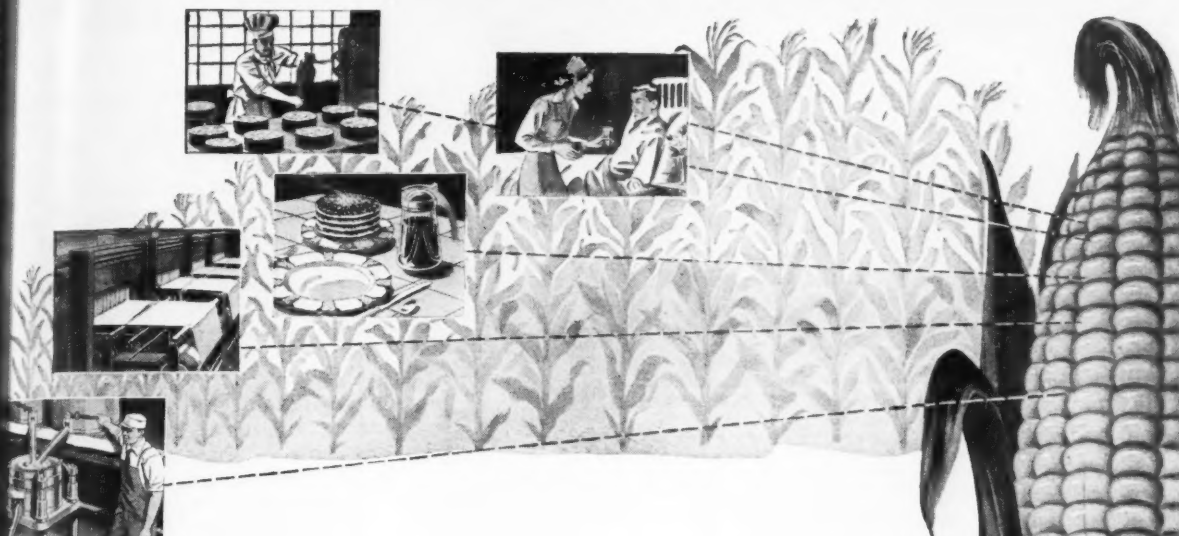
They arrive at \$58 via the \$10,000 valuation. The 20,000 shares outstanding in 1919 have since been increased to 3,452,900 of which 172,645 are the key voting shares, which continue in the family. On the proportion of increase in stock outstanding, the valuation on each 1919 share pares down to \$58.

• **Or \$190 Shares?**—But the government doesn't go along with such figuring. It contends instead that the shares are worth \$190 each, or about \$13,600,000. Thus it wants to take close to \$10 million in taxes.

The government's case is based on the book value of the company. On the basis of outstanding shares, this would bring book value (on the \$190 figure) to \$656,051,000. But if precedent follows, the value for tax purposes will be set somewhere between \$58 and \$190 a share.

• **Yearly Figures**—Determination of the actual value of Ford is difficult; the company has never published a detailed financial statement. But for some time it has filed highly condensed yearly figures with the Massachusetts Commissioner of Corporations & Taxation. In the 1945 year-end (no 1946 statement has yet been filed), these disclosed assets

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The Cornfield that fed a Miracle

Today the A. E. Staley Manufacturing Company is one of the largest processors of corn products in the country. In a new field, soybeans, the company has pioneered and become the largest processor in the world. From a small beginning in Baltimore in 1898, later moving to Decatur, Illinois, in 1909, the record of Staley has been one of continued growth.

This steady expansion has been based on good products, careful research and competent management assisted by sound financial planning. The professional services of Smith, Barney & Co. as underwriters and distributors of investment securities have been repeatedly used to provide the capital for growth and for a sound financial structure.

Westward for corn

In 1909 Augustus E. Staley went West, like many before and after him. He did not seek gold and he did not find it. But he did seek corn, the golden corn of the fertile mid-West. And in finding it he began the development of the A. E. Staley Manufacturing Company on a national scale. Today at Decatur the Staley plants, comprising 52 buildings, cover 320 acres and annual sales are over one hundred million dollars.

From corn to a miracle

Augustus E. Staley knew corn better than most men, was alert to its possibilities. He foresaw the versatility of corn—versatility developed by research. Out of this have come many things—even the development of a special nutrient for increasing the production of the miracle drug, penicillin. Today, the original box of corn starch is but one of many Staley products. Now manufacturers of candy, powder, ice cream, jellies, soap, rayon, paints—tobacco growers, fruit canners, leather tanners, paper mills—all use Staley products. One such product of research, "Sweet-Cose," an especially sweet corn syrup, has opened up new markets, especially in the food processing

industries where it is competing effectively with sugar and other sweetening agents. The growth of Staley has meant new and better products to improve the nation's living standards and the creation of thousands of new jobs.

The way to leadership

Growth of A. E. Staley Manufacturing Company from a local enterprise to a national one has been due to that combination of balanced policies which lifts a company to national leadership in its industry. In the formulation and execution of its financial program Staley has found the experience and facilities of Smith, Barney & Co. particularly valuable. These services have ranged from underwriting securities to provide funds for working capital and for redemption of outstanding bonds—to distributing large blocks of privately-held stocks, bringing to both company and security holders the benefits of a wider public investment interest.

The advantages derived from the relationship between Staley and Smith, Barney have been duplicated often in the history of this firm and its antecedent firms; in the future we hope to render equally valuable service to others.

For more of the Staley story

To tell you more of the story of this company, we have prepared a booklet, "An Analysis of the A. E. Staley Manufacturing Company." A copy may be obtained on request to this firm, 14 Wall Street, New York 5, N.Y., Department U.

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A. P. Wins a Pair

SEC drops all charges against Giannini's Transamerica Corp.; appeals court rules in its favor in California bank case.

The never-say-die policy followed by A. P. Giannini's giant Transamerica Corp. in its long feuds with the Securities & Exchange Commission, Treasury Dept., and Federal Reserve Board is still paying off. Last week "A. P." learned with great satisfaction that:

- Transamerica is officially "not guilty" of having filed false and misleading statements. After eight long years of hearings, SEC has finally decided to dismiss permanently all such charges filed against the company (BW-Dec.3'38, p37).

- The Federal Reserve Board had no right to prohibit Transamerica from acquiring stock in the Peoples Bank of Lakeport (Calif.). When Peoples Bank was admitted to Federal Reserve membership, the board stipulated that the membership would be canceled if Transamerica ever acquired as much as 10% of Peoples Bank's outstanding stock (BW-Dec.2'44,p74). Now the U.S. Court of Appeals has upheld Transamerica, ruled that the board exceeded its authority in imposing such "drastically restrictive" conditions, and in forcing the bank out of the system after Transamerica had acquired a stock interest in it.

- **Supplementary Information**—Dismissal of its Transamerica proceedings, the SEC reports, was based on the company's 1946 annual report. It included certain information supplementing data previously filed. The commission says "sufficient public information" is now available "to enable investors to appraise the presently relevant facts."

Originally SEC had charged that many deficiencies existed in the filing of inaccurate and misleading reports. The Bank of America and other units in the Giannini setup were involved, as well as Transamerica itself. Financial statements questioned included one covering registration of Transamerica stock in 1936 and the company's 1937 annual report.

When proceedings opened, "A. P." and his cohorts contended that the commission's complaints were based "entirely on a theory of accounting." And they added that almost everything with which SEC had found fault had been covered in a subsequent supplemental report. Throughout proceedings, the longest in SEC history, they maintained this position.

- **Litigation**—Transamerica first sued the Federal Reserve Board in its Peoples

THE NATIONAL CITY BANK

OF CLEVELAND

Statement of Condition

MARCH 31, 1947

ASSETS

Cash and Due from Banks	\$ 99,557,188.94
United States Government Obligations	199,348,472.78
Other Securities	12,144,230.87
Loans and Discounts	112,891,333.90
Investment in Banking Premises	1,552,891.62
Customers' Liability on Acceptances and Letters of Credit	1,860,846.85
Accrued Interest	894,905.17
Other Assets	313,450.25
	<u>\$428,563,320.38</u>

LIABILITIES

Capital Stock (625,000 shares)	\$10,000,000.00
Surplus	10,000,000.00
Undivided Profits	3,114,715.36
Reserves	3,376,297.13
Dividend on Capital Stock, Payable May 1, 1947	218,750.00
Acceptances and Letters of Credit	1,860,846.85
Accrued Interest and Expenses	992,941.23
Deferred Credits and Other Liabilities	735,896.53
Corporation, Individual and Bank Deposits	\$290,089,962.47
Savings Deposits	62,434,610.40
Trust and Public Deposits	23,900,338.24
U. S. Government War Loan Account	21,838,962.17
	<u>398,263,873.28</u>
	<u>\$428,563,320.38</u>
Contingent Liability on unused loan commitments	\$14,259,898.89

NOTE: United States Government obligations carried at \$50,540,568.56 are pledged to secure trust and public deposits, U. S. Government war loan account, and for other purposes as required or permitted by law.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



They were reborn on their 100th birthday

As they get on in years, some firms, like people, require a general examination.

Such was the case of The Russell Manufacturing Company of Middletown, Connecticut. Founded in 1834, it grew and prospered, became one of the finest textile firms in New England. But as the Company neared its 100th anniversary, the market for its principal lines—clutch facings, brake linings, elastic and non-elastic fabrics—began to change. There was a need to adapt the old line, to meet this change with new production methods and products.

Historically a leader in its field, Russell Manufacturing began to weaken in the face of severe competition. In its 100th year, the Company underwent a complete overhauling.

New blood was pumped into its top management. A skilled new team went aggressively to work, devel-

oped new products to meet and beat competition, put in new methods of distribution and reorganized finances.

To help in the firm's rebirth, the management came to the Bank of Manhattan. The Bank studied the Company's record, giving particular attention to its new management. Recognizing the new team's drive and ability, the Bank decided to back it with several loans. These loans have all been repaid.

Today, Russell Manufacturing, back in its old position of leadership, is the world's largest maker of zipper tape and Venetian blind tape. It also ranks high in the production of high-speed endless belts and automotive clutch facings. The Bank of Manhattan is proud to have helped in this remarkable recovery and stands ready to help all such firms, not only with money but with friendly counsel based on broad business experience over the years.



Bank of the Manhattan Company

NEW YORK

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Bank case in the U. S. District Court in San Francisco. The latter decided, however, that it had no jurisdiction in the case. It ruled that if cause of action existed, the cause should be filed in the District of Columbia. This was done, and a ruling in favor of the board was handed down last year.

The case was then taken to the U. S. Court of Appeals in Washington. Last week that court upset the district court decision; pointed out that "failure (by Congress) to enact restrictive legislation shows a legislative intent that acquisition of bank shares by holding companies shall not be unlawful."

An appeal by the board to the Supreme Court is possible. New York bankers who are following the case closely, however, don't think such action likely.

TO HEAD COTTON MART

Gustave I. Tolson, long affiliated with the big cotton house of George H. McFadden & Bro., is slated to take over the presidency of the New York Cotton Exchange on June 2. He is now its vice-president.

Mississippi born, he joined McFadden in 1913, has been with the firm ever since—except during service in both World Wars.

Tolson served a five-year stint in



Gustave I. Tolson

China for McFadden; that led to his assignment to that country for active Army duty in World War II. He came out of service in 1945 with the rank of lieutenant-colonel.

As Exchange President, Tolson will succeed Frank Knell, whose term is expiring.

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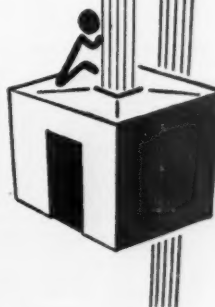
If we skimmed anywhere along the line — in design, manufacture, installation or service — it would soon result in repair losses which would come out of *our* pocket.

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LABOR

Steel Pact Breaks the Dam

Flood of agreements follows 15¢ settlement. But first real breach was made by G.M. and U.E. Credit is due to internal C.I.O. politics; left-wing U.E. was sparring for Philip Murray's favor.

Few major manufacturers remained in the dark this week about their 1947 wage bills. For their enlightenment, they could thank General Motors and the internal politics of the C.I.O.

• **Flood of Settlements**—General Motors had offered the leftist United Electrical, Radio & Machine Workers a 15¢ increase in hourly payments and U.E. had snapped it up. That was the cue United States Steel seemed to be awaiting. The corporation made the same offer to its union and, after Philip Murray did a little soul searching, it was accepted. That broke the dam that had been holding back the impending flood of wage settlements since the first of the year.

By the end of the week, the flood of new union-management agreements had reached such proportions that it looked as though G.M. had represented all industry in a bout of national bargaining. Announcements came so fast they left the impression that employers were falling all over themselves to offer unions 15¢—"Divide it any way you like, boys, between wages and fringe matters." And the unions weren't wasting much time accepting.

As far as the public was concerned,

although the telephone strike continued and John L. Lewis, in the wings, worked on the makeup he will use in his next appearance, the 1947 labor crisis was over.

• **Sudden Break**—When the break came, it was so sudden that surface details made up the picture. Only now are all those employers—large and small—who are influenced by the G.M. and steel settlements filling in the background, appraising what happened in more than immediate terms.

G.M. made its wage offer to U.E., which bargains in the company's electrical manufacturing operations, in order to avoid a protracted period of negotiation with the United Auto Workers, which bargains for its automotive plant employees. The 15¢ figure was a shade less than the U.A.W. would have taken gracefully. To settle on that figure with the auto workers would have required long haggling, perhaps even a strike.

• **Explanation**—The reason why U.E. grabbed it so eagerly is woven into C.I.O. politics. U.E. is the largest, if not the most thoroughly controlled, labor organization in the C.I.O.'s left-wing. Hence, U.E. and its leadership



Philip Murray (second from left) gets the credit—and congratulations—from his C.I.O. steelworkers for successful wage negotiations with U. S. Steel.

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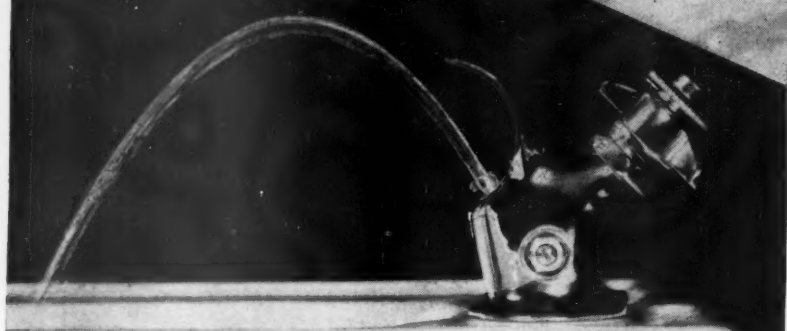
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are in the direct line of anti-Communist fire.

This fire comes from groups both within and outside the union movement. It has begun to sear Philip Murray who, though no Communist sympathizer himself, "protects" the C.I.O. left-wingers by refusing to allow their enemies to gang up on them. He maintains such a policy for the sake of "unity."

• **Campaign From the Right**—The Communists, a minority, need that protection; and to deprive them of it is the object of a C.I.O. right-wing campaign. Murray, focus of the pressures, has begun to waver.

The rightists, banking on the seriousness of revolts against Communist control in some of the constituent C.I.O. organizations and on the effect on public opinion of a further deterioration of American-Soviet relations, had expected Murray to lower his protective shield above the C.I.O.'s left after he wound up his negotiations in steel. The U.E. was not ignorant of this possibility.

• **Answer From the Left**—It played its cards accordingly. A top U. E. official walked out of the negotiating session with G.M., put in a long-distance "emergency" call to Pittsburgh, and told rather than asked Murray, "We're going to wind this up at 15¢. Any objections?"

He was leading with a trump in the game being played for Murray's support. He was reminding Murray that the left wing could establish the national wage pattern through the unions it controls. And if Murray turned on the left, that pattern could be established without consultation and in a way the head of the C.I.O. might not like.

• **Immediate Effect**—This kind of thing is highly persuasive to Murray. He had an immediate object lesson on how important to his steelworkers is anything the U.E. does. When U. S. Steel offered his union 15¢, he did not take long to conclude that U.E. had let G.M. seal the best offer he could get from the steel corporation without a successful strike.

Some labor leaders consider that U.E. sacrificed a few cents an hour, which it might have got for its members if it let the stronger unions in steel and autos carry the ball. But in return, the C.I.O. left wing has maneuvered itself into a position where it can make a strong claim on Murray's favor. C.I.O.'s "red bloc," therefore, comes out of the 1947 round of bargaining considerably strengthened in its fight for a strategic position within the labor movement.

• **Gains Without Strikes**—It is also notable that most of the unions, both left and right in political makeup, come out of these negotiations as stronger organizations. They have demonstrated

Strike Causes

Most strikes during 1946 were over economic issues. That is why the broadening 15¢ an hour wage settlement pattern (page 100) is such an important omen of labor peace in 1947.

According to the Bureau of Labor Statistics, problems of increasing "take-home" pay in the face of rising prices were of primary concern to striking unions last year. From the standpoint of number of workers involved and cost in lost man-days, all other issues were relatively unimportant.

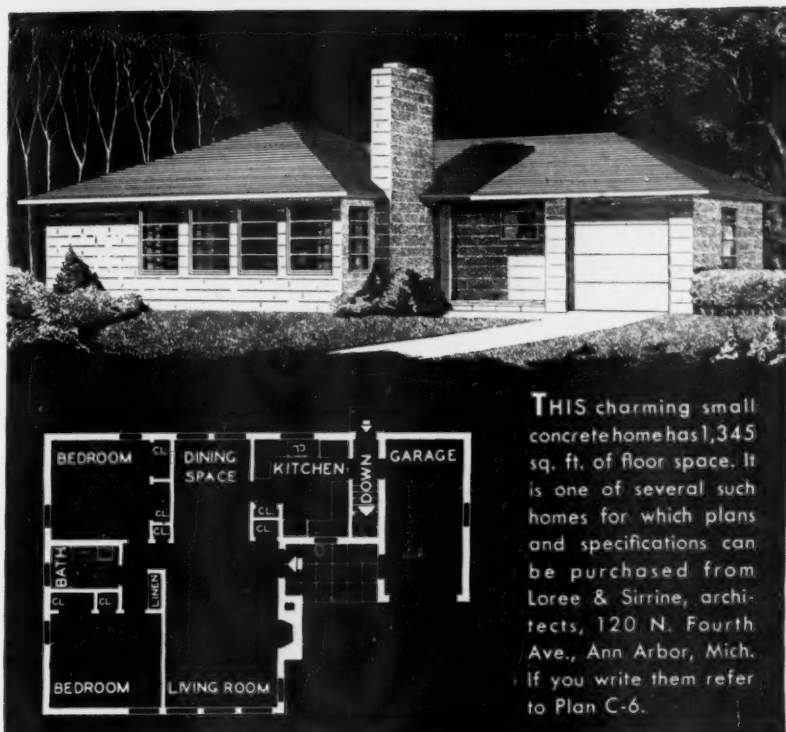
These points were strongly emphasized in a new BLS report. Union lobbyists on Capitol Hill picked them up. The unions asked Congress to ponder the fact that the closed-shop, jurisdictional disputes, and secondary boycotts actually accounted for only a minor number of strikes last year. Advocates of labor curbs have argued that they are major factors in industrial unrest.

Nearly half of the 4,990 work stoppages reported to BLS in 1946 were due solely to wage disputes. Because these occurred in industries which are major employers—such as the big electrical, steel, and automotive companies—they cost 81.9% of all lost man-days. The wage issue was an important factor in many other disputes which led to strikes. All together, an estimated 95% of all man-day losses for the year were due either wholly or in large part to stalemated wage negotiations.

Other strike causes, in the order of their importance: (1) union recognition; (2) the closed-shop or union-shop issue; (3) job-security questions; (4) disputes over shop conditions; (5) interunion and intraunion disputes; (6) a wide variety of minor issues.

to their membership that they can win sizable wage gains without having to pay for them in strike idleness. After the 1946 experience, such a demonstration was almost imperative.

Even more concretely, however, the current round of settlements has not made inroads on the "union security" position which the labor organizations attained during the war. U. S. Steel, for example, wrote a maintenance-of-membership provision into its contract—for the first time voluntarily. It had been in before at the direction of the National War Labor Board. Was industry ducking a fight on this issue? Or was it expecting that the question would



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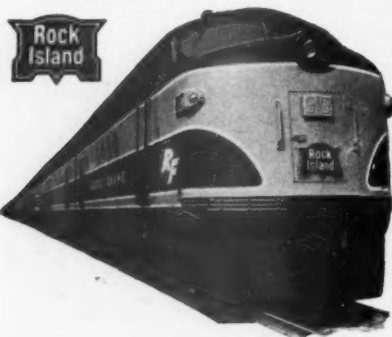
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be settled by federal legislation (page 107)? A full answer would acknowledge that there was a little of both elements in the situation.

• **Foresight?**—But it would also note something more. This may be the last year in a period of free-and-easy wage increases. Next year may be different.

Or if not next year, some future date. When the time comes when industry has to fight for frozen wages, or for a wage cut, a union leadership strong enough to control its membership through a disciplined organization might take a lot of potential friction out of the acceptance of the inevitable.

THE LABOR ANGLE

Resignations

The language might have been considered unladylike in some circles, but its meaning seemed clear enough to the foreman. "You know what you can do with this job," the woman employee had told him. The way she put it left him with no doubt as to what she had in mind. It was her parting shot in an argument before she stomped out of the department, and, so far as the foreman was concerned, out of the employ of the Continental Can Co.

But he was mistaken. The woman subsequently claimed she had not resigned. Her union took up her case under the grievance machinery of the contract, and the dispute found its way to arbitration. The final award went against the company. The arbitrator decided that "any statement . . . short of 'I am quitting,' could not have shown a decision to quit her job."

Continental had a substantial liability growing out of a unique case. But it also had a problem which is far from unique. That was to get a clear and administratable answer to the question of what constitutes a voluntary resignation. The question, as a growing number of employers will now testify, can be far from academic.

Warning

What Continental did was to see that the story of how its Mrs. Malaprop got the last laugh went to its plant management all over the country. Its medium was Trends, its ably edited internal newsletter on labor relations. It used the incident as the clinching argument in a warning to set up an efficient system of exit interviewing in all plants.

The company's observations are pertinent for all employers:

"Determine the facts," the firm told its local management. "Then let the employee resign, put him back on the job, or discharge him, as the situation warrants."

The exit interview came into wide use during the war at the behest of the War Manpower Commission and the Labor Division of the War Production Board. It was sponsored by the federal government as a mechanism which might cut down wasteful labor turnover. Even if the interview did not discourage quits, it could expose reasons why workers wanted to change jobs. In such event something could be done about those reasons. As a diagnostic device it had considerable usefulness.

Restored

Widely adopted during the war, the interview was widely abandoned when peace came. The general assumption was that the labor market was going to ease; that surpluses, instead of shortages, would be the post-war norm. But when excess manpower failed to materialize, a good many companies restored wartime practices.

Interviews

Continental's exit interviews are conducted by the plant personnel manager, and they serve several purposes. One objective is to find out if the employee really means to quit and why. But they are also exploited to uncover criticism, to draw out suggestions, and to provide another chance for holding on to a competent employee. Written records are kept to obviate misunderstandings and baseless union charges.

Through Trends, Continental points out to its plant management that some employees may be impelled to stalk off in a huff, duck an exit interview. It asserts a full investigation should be made in any case. It makes a point which all employers can find cogent: Every employee let go should understand the reason for his release. In cases of discharge, Trends points out: "It is a good practice to give both the employee and the union a written statement of the reasons."



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Today he is working on the hot strip mill — an expert at rolling Armco special-purpose steels. Some day he may be selected and trained as foreman. Eventually, as ability and leadership develop, he may rise to still more responsible positions — perhaps to an important executive post. Key jobs at Armco are filled from the ranks.

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Yes, Armco men know that greater demand for quality products helps assure more and better paying jobs. This demand grows as you are able to put more value and longer life into your products with Armco special-purpose steels. The American Rolling Mill Company, 11101 Curtis Street, Middletown, Ohio. Export: The Armco International Corporation.



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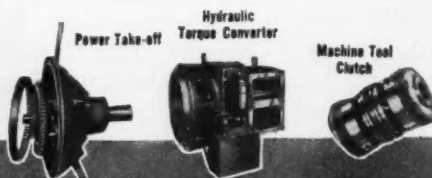
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SPECIALISTS IN INDUSTRIAL CLUTCHES SINCE 1918

Prisoners Sue

Michigan convicts seeking back wages on war work done in jail. They claim they were subject to the wage-hour act.

The U. S. District Court in Grand Rapids, Mich., has been asked to settle an unique question of law: Can prison inmates, working within prison walls, claim protection of the Fair Labor Standards Act for their work?

Suit for \$1,000,000 in back wages and damages recently was filed in the federal court against the Gunn Furniture Co. of Grand Rapids. Plaintiffs were 227 inmates of the Jackson (Mich.) State Prison. They said they manufactured shell casings for the company during the war.

• **Claim the Difference**—The prisoners contended that they were paid only 52¢ for a twelve-hour day, or \$3.15 for a six-day week. They said they were entitled to receive, under federal law, the difference between that pay and what they would have received under the legal minimum rate. They asked also for time and one-half for all hours in excess of 40 per week. They want liquidated damages allowed by law.

The wage-hour act does not cover "government employees," but the prisoners' attorney claimed the group, in this case, did not fall into that category.

The attorney's bill of complaint said the company was a wartime contractor selling shell casings to the government. It contracted for the prisoners' labor.



Michigan prison inmates Earl Bedunah and Charles Huntley, and 225 others, have sued a war contractor for \$1,000,000. They allege the 52¢ a day paid them for prison shop work was a wage-hour law violation. Huntley has a special grievance: His war job cost him thumbs and index fingers.

at their output of products. Hence, the bill claimed, the company was fully bound to observe minimum wage standards and overtime laws. The plaintiffs also contended that the fact that contracted work was done within prison walls should not alter the protection intended by the federal law. They maintained: The company supplied supervisors, set standards for work. It also paid the Michigan Correctional Dept. an additional \$5 a day per man for use of their labor. This was in addition to the inmates' wages.

"Up to the Courts"—The company did not comment immediately. Wage-hour officials in Washington said that their interpretation of the extent of protection of prison labor was:

(1) Coverage does not extend to prisoners who work in prison shops under control of prison officials.

(2) Coverage for those who work outside the prison, under control of the manufacturer, was open to debate.

In the Michigan case, wage-hour legal advisers said the decision on coverage was "purely a matter for the courts."

The Gunn case is important as precedent for Michigan. It may prove to have broad significance for wartime contractors in other states as well. Bars against use of prison inmates for private production were relaxed generally for wartime contractors during the period of a depleted labor force. If Michigan "cons" win their suit against Gunn, many contractors may find such wartime laborers belatedly expensive.

BLOW TO LABOR LAW

Major industrial wage settlements this week (page 100) will strengthen President Truman's hand. The Administration undoubtedly will use them as an argument against putting into effect the strike-control bill beginning to emerge from Congress. The comparatively peaceful labor situation they will bring lessens the possibility that a presidential veto can be overridden.

The House last week passed (308 to 107) its version of an omnibus labor bill. But first it stiffened the terms of a measure drafted by its labor committee.

It inserted a ban against strikes by government employees, and it barred employers, as well as employees, from industry-wide bargaining. The committee bill would have denied bargaining rights to Communist-led unions; the floor amended it to include all unions whose officers had ever been Communists.

As the Senate began consideration of its bill, it was apparent that even its milder curbs might not find their way into law at this session. Barring a new coal strike July 1 which might arouse Washington to stronger action, outlook is for either a mild labor law or no new labor law at all (BW—Apr. 19'47, p92).



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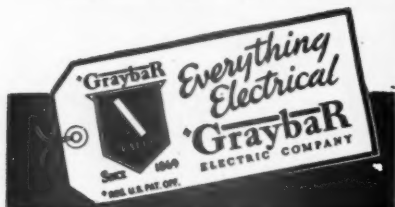
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Miners' Homes: Study in Contrasts



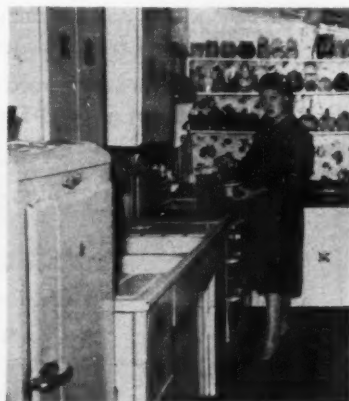
Bad and good housing: U.M.W., operators disagree on which is typical.



Good housing has been provided in many major coal mining areas. But many other mine families have been bypassed "with regard to quality of shelter and sanitary facilities essential to healthful living."

Such were the Navy's conclusions in a 340-page report made for the Dept. of Interior. The United Mine Workers claimed it substantiated charges of owner negligence. However, the National Coal Assn. complained that "slum conditions are the exception, not the rule," said miners and their union must share blame for substandard conditions.

But the miners' plight in many areas had been dramatized. The Navy had presented U.M.W. a strong weapon to be used when bargaining with operators is resumed next week. Meanwhile, electrical appliance distributors noted mine-home needs—and wages—and saw a huge market to be tapped.



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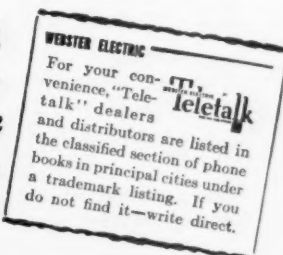
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UNITED STATES STEEL

Annual Pay Tried

U.A.W. contract with aut parts maker guarantees 1,600 hours' wages a year to workers with two years' seniority.

The United Auto Workers (C.I.O.) has stuck its foot in the annual-wage door.

Guaranteed pay for automotive workers has been a major long-term objective of the union; until recently it has failed to get any management acceptance. But now a Chicago company—Maremont Automotive Products, Inc., since 1949 one of U.A.W.'s friendliest employers—has agreed to try it. An experimental one-year guarantee of 40 normal work-week pay (carefully limited and circumscribed) was written into Maremont's 1947 contract with U.A.W.

• **Milestone**—The union hailed the new clause as a significant gain, and as recognition that an annual wage is desirable. It made clear that the terms fall far short of the union objective—a full year guarantee of pay on the basis of 40-hour work-weeks—but it said that a notable beginning had been made.

U.A.W. locals in other plants took quick action to adopt the Maremont plan as a model in their own negotiations. So far, there have been no takers.

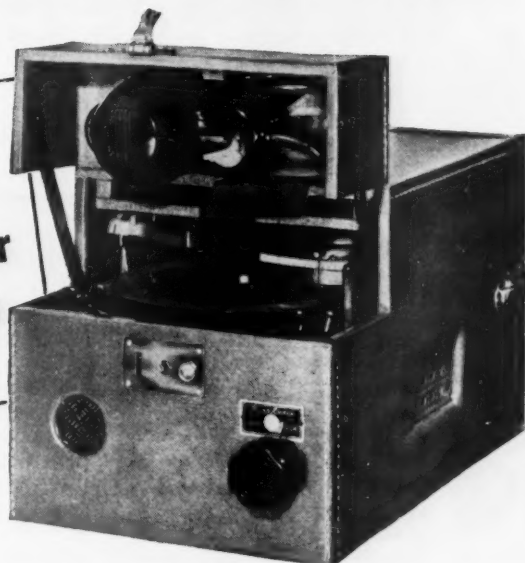
• **Provisions**—The Maremont contract guarantees annual earnings of not less than 1,600 times their basic hourly rate to all employees who have been on the payroll at least two years. Overtime and incentive pay received by employees count against this guarantee. Last year incentive pay averaged between 20% and 25% of total earnings. If this rate continues during the current contract year, the company guarantee would assure only 32 weeks' work on a 40-hour basis—less if there is any substantial overtime work.

The company has written other limitations into the contract. The guarantee will be abated for any "act of God" stoppages—due to "floods, fires, and other elements beyond the control of the company." It also will be inoperative for the duration of any strike or work stoppage, legal or illegal. Time lost by an employee for personal reasons, or for disability, is to be deducted.

• **Interplant Transfers**—Maremont also reserves the right to transfer workers among its various plants in the Chicago area—without loss of seniority. Purpose of this is to keep the men employed, and thus to minimize the company's liability. The contract specifies that accounts are to be balanced at the end of the contract year. At that time, from any amounts due workers the company can deduct outside income which work-

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received during layoffs—either from
time or interim jobs or from unem-
employment compensation benefits.
The guarantee clause is to stay in
effect one year only. If the contract is
extended beyond its expiration date, the
guarantee will end unless specifically re-
negotiated at that time.

Stability—Maremont does not con-
sider it is taking a financial risk through
guarantee plan. During the 1932-33
period, the company's worst in recent
years, 60% of employees worked a full
week. Maremont's plants have not
been shut down in the past 70 years,
officials report.

Maremont's basic products are re-
placement parts for automobiles. Hence
it considers itself a manufacturer of
consumer durable goods; finds it is not
subject to the seasonal fluctuations
which make guaranteed pay difficult for
major automotive manufacturers. It re-
cently expanded operations to include
an agricultural division.

Cordial—Ever since U.A.W. signed its
first contract for Maremont plants in
July, 1943, relations have been cordial.
The plant local has been criticized
as communist-dominated, but Mare-
mont has escaped the troubles which
management sometimes has with leftist
locals.

Company policies are generally cred-
ited for the good labor relations—and
the record of no work stoppages since
1940. For instance, Maremont has long
followed a policy of racial nondiscrim-
ination; 50% of its 1,400 employees
are Negroes, and they are upgraded at
all levels on equal basis with white em-
ployees. Also, U.A.W. has a union-shop
contract, and what it considers to be a
model grievance procedure.

Labor Peace Comes to Strikebound Railroad

Peace came to the strike-torn Toledo,
Peoria & Western Railroad last Mon-
day—ending the country's longest and
bloodiest remaining strike. The walkout,
by members of the 13 striking railroad
brotherhoods, had tied up operation of
the road since Oct. 1, 1945. The railroad
men went back to work as a result of a
settlement negotiated by executors for
the estate of the road's slain president,
George P. McNear (BW—Mar. 22 '47,
p. 97).

Union spokesmen said that the men
went back under rules, pay, and work-
ing conditions currently in effect on
other roads. Strikers retained full sen-
iority rights. About 500 of them were
involved in the settlement.

End to Strife—The settlement thus
brought to a close McNear's 20-year bat-
tle with the unions over what he termed
union “feather-bed” rules. He had main-

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tained that the unions required him to hire more men than he considered necessary.

The long-drawn-out struggle with the brotherhoods was dotted with frequent court actions and sporadic acts of violence. Dynamitings and the shooting of two union pickets by railroad guards in February, 1946, were two of such incidents that occurred during the strife. Although no connection with the labor dispute has been established, McNear's slaying from ambush last month marked the end of hostilities. His killer has never been caught.

Under terms of his will a trust was created for the benefit of his family. Administration of the T.P.&W. was placed in the hands of two attorneys as

trustees. Immediately after the will was filed, the trustees announced they would seek resumption of full operation of the road as soon as possible.

• **Bought at Auction**—McNear bought the 239-mi. railroad in 1926 at a receiver's auction for \$1,300,000.

In 1929, McNear claimed he won the first strike the powerful railroad brotherhoods had ever lost. He ousted them from the road until a government-conducted election in 1940. Another strike in March, 1942, brought government seizure and a labor truce. The truce lasted until the government returned the road to McNear in the fall of 1944, then the brotherhoods promptly walked out again. A few months ago, McNear resumed partial operation.

Labor Productivity Begins to Climb Again

A year or so ago there was no touchier subject with plant managers and company executives than the productivity of labor. They were harassed by a huge public demand for increased output. Lately, some of that pressure has eased off. But, as management searches for ways to keep costs in line, the real urgency of productivity remains.

• **Brighter Picture**—However, with the dislocations of reconversion straightening out, more and more plants have found that the productivity picture is not so bleak as it once looked. For instance, a big machinery manufacturer, who had a disastrous strike in 1946, now finds that his main plant is producing almost twice as much per man as before the strike.

One reason the record looks better

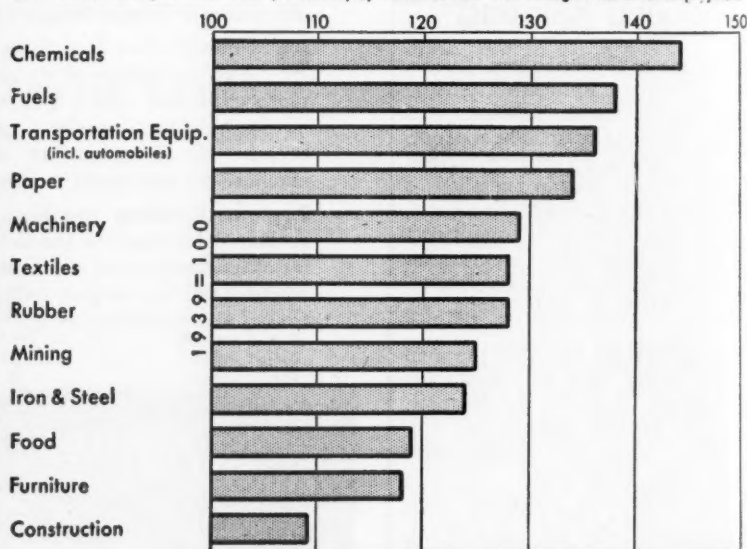
now is that the long-run trend toward higher productivity per man-hour is beginning to reassert itself.

Over a period of years, small, steady gains in productivity can add to an impressive total. This shows up clearly in a series of estimates that the Bureau of Labor Statistics ran off for its ambitious study of what a full employment economy would look like in 1950 (BW—Feb. 15 '47, p18).

• **No Forecast**—BLS specifically disowns the figures as forecasts, pointing out that elaborate studies of each industry would be necessary to make any accurate prediction of future productivity.

Nevertheless, as a rough guide to long-term trends, the BLS figures give an idea of how changes in some of the major industries are likely to compare with each other.

Estimated percent gain in man-hour productivity by industries from 1939 through 1950 at full employment



INTERNATIONAL OUTLOOK

BUSINESS WEEK

APRIL 26, 1947

SERVICE

The Moscow conference has failed to settle any major issue.

As a result, the whole future of the United Nations is at stake.

Actually, two courses of action are still open:

(1) Before calling another meeting of the Council of Foreign Ministers, the U. S. and Russia can hold an informal two-country discussion.

Objective would be to agree on minimum terms for a German peace settlement. Unless the U. S. and U. S. S. R. can reach agreement, there is no reason for calling a larger conference.

If there's an agreement, the plan would then be presented to a full conference. UN would then guarantee whatever settlement is reached.

(2) If no compromise between Russian and Western blocs is possible, the breach between them would widen rapidly.

Two worlds would then race to see which is ultimately to dominate.

Russia is obviously still gambling that time is on its side.

Kremlin advisers believe that the German economy cannot be effectively restored unless they permit the country to be unified. They also hold to the old ideological conviction that communism thrives on poverty and political chaos.

In Austria they have this same stake, and one more.

If they lose their hold at Vienna, their position in neighboring Hungary is jeopardized. The Hungarians are largely anticommunistic. Given a chance, they are likely to swing into the Western bloc.

Moscow wants Austria as a buffer state as long as possible.

Washington's position has been strengthened at Moscow.

Secretary Marshall's blunt refusal to capitulate on German issues was vastly strengthened by this country's stand on Greece and Turkey (page 117).

Also, France is more likely to support basic U. S. policy than it was two months ago. The promise of more coal from the Ruhr has cracked opposition in Paris.

Washington's economic program is ready to function aggressively.

German production is being boosted. So far, the schedules are within the limits of the Potsdam agreement. But the Anglo-American Zone will be in a position by fall to jump these limits quickly if the unification deal with the U. S. S. R. fails.

Washington will receive many more requests for aid like those from Greece and Turkey.

Korea, Italy, and the Philippines will need more help (BW—Apr. 19 '47, p107).

But the U. S. will become hard-boiled about loans.

Truman advisers in Washington say now that another \$5 billion may be enough to carry out the rehabilitation program. Beyond that, the World Bank and other established international credit agencies, along with private capital, would be expected to handle the business.

Surprisingly, the world's capacity to absorb loans effectively may set the limits on international lending.

Realistic credit ratings will most likely be established by the World

INTERNATIONAL OUTLOOK (Continued)

BUSINESS WEEK
APRIL 26, 1947

Bank or private lenders. Under them, borrowing countries will be forced to show that loans can be used productively.

Deliveries of heavy machinery, in demand everywhere, are limited by the productive capacity of half a dozen countries, topped by the U. S. Britain is a poor second. Canada, Sweden, Switzerland, and Belgium just about complete the present list of potential suppliers.

Many potential customers lack even the engineers to draw up the necessary specifications. Others—like India, China, Brazil, would be unable to operate the vast industrial plants and power installations now in blueprint form. For these the manufacturer will also have to supply trained managers.

In this possible race between the powers, the U. S. has immediate advantages over the U. S. S. R.

Russia can't possibly reach the goals of the first postwar five-year-plan without imported equipment.

This is the reason for the stubborn insistence on the maximum transfer of German reparations now. It also accounts for the Soviet demand for huge deliveries out of current production if output is allowed to go beyond the Potsdam levels.

Best source of heavy equipment is the U. S. This may yet prove to be Washington's strongest bargaining point. To win a priority on large orders for special machines, Moscow may yet yield on basic German issues.

U. S. exports of luxury goods are likely to fall considerably below last year's postwar bulge.

Sweden's recent move to ban nonessential imports (BW—Apr. 5 '47, p113) in order to save dollar exchange for basic supplies may soon be duplicated in Switzerland and other countries.

Britain's boosting of the tobacco tax (page 118) is deliberately framed to save \$30 million normally spent on Virginia tobacco. Government buying of such other bulk items as dried eggs can also be expected to be cut.

Heavy equipment exports from the U. S. stand to gain as countries abroad take measures to safeguard supplies of dollar exchange to meet commitments in this line.

Despite an unexpectedly large shipment of natural rubber from Malaya, last year, not all Far Eastern commodities are doing as well as rubber.

Tin experts meeting in Brussels last week revised output estimates sharply downward. Production this year is expected to reach only 117,000 tons, in place of the 142,000 scheduled last fall. Estimated output for 1948 is cut from 198,000 to 163,000 tons (page 22).

Realization is growing abroad that loans aren't likely to be granted except when specific developments projects are planned. Hence, the U. S. market is being scoured by foreigners for engineers and technicians to help handle industrial planning.

Watch for news, in the near future, of an outstanding new U. S. firm to handle just such contracts.

This firm has already contracted to build more than a dozen factories and mills in as many foreign countries.

One of its biggest contracts—but not the biggest—is procurement of some \$50 million of American equipment for Argentina's giant \$100 million steel mill.

BUSINESS ABROAD

What's Ahead for Turkey?

U. S. grant of \$100 million to be used entirely for military purposes. This will relieve drain on Turkish budget, free large sum for industrial rehabilitation. New five-year plan is under way.

Congress has approved the \$400 million grants to Greece and Turkey—\$300 million for Greece (BW—Apr. 19 47, p. 48), \$100 million for Turkey.

Business interest in these expenditures goes beyond their military or strategic importance. Where the money is not for direct economic aid, it may, by its stabilizing influence, promote extensive private or public economic investment and industrial expansion (BW—Mar. 22 '47, p. 15). This is certainly the case in Turkey, where a vast five-year plan is on the drawing boards.

Strictly Military—The State Dept. has made no bones about the purpose of the \$100 million gift to Turkey. It is purely military. It is all to be spent "for the armed forces or to a lesser extent for economic projects directly related to Turkish security." It will substitute dollar military aid for Turkish military spending which is now a drain on the Turk budget.

The U. S. does not expect the \$100-million to be paid back. The State Dept. has brushed aside all suggestions that Turkey ship chrome and manganese

ore to the United States. This would hit at Turkey's cash export income.

Balanced Budget—Nevertheless, Turkey's current financial position is important. The budget is balanced at about \$320 million. Military expenditures comprise about 45% of the total. The \$100-million U. S. gift will thus equal about 75% of a year's military expenditures.

Turkey is not poor now. During the war, its gold holdings grew from 26 tons to 200 tons (about \$250 million). Most of the gold is now slated for spending on industrialization.

Under Britain's Wing—Turkey has long been a British sphere of influence. In consequence, Britain spent vast sums in Turkey during the war to prevent sales to Germany. London shipped railroad equipment and arms and improved Turkey's port facilities.

The United States has already provided Turkey with funds totaling \$131-million. About \$30 million has not yet been spent. Of the total, \$90 million was lend-lease; \$10 million came from the Office of the Foreign Liquidation

Commissioner; \$28 million from the Export Import Bank (Turkey wanted \$500 million); and \$3 million from the Maritime Commission.

During the war the U. S., too, spent hundreds of millions for Turkish (and Spanish) strategic materials to keep them from the Axis.

Debt Record—Until the nationalist government of Kemal Ataturk, which came to power in 1923, Turkey was a bad financial risk. From 1854 to 1914, foreign borrowing totaled over a billion dollars. The International Administration of the Ottoman Debt, established in 1881, made some sense out of repayment by scaling the debt down and allocating Turk income on foreign account.

The state debt more than doubled during the recent war, to \$1,200,000,000. It is largely held internally at 7%. Debt service takes about 20% of ordinary revenue.

Trade Pattern—Before the war, Turkey's trade had veered heavily toward Germany. From 25% in 1933, Germany's share in Turk imports rose to 51% in 1939. From 19% in 1933, Germany's share in Turkish exports rose to about 40% in 1939. The U. S. accounted for about 10% of Turk exports and imports in 1938. Tobacco comprises 20% to 30% of all Turkish exports. Cotton, raisins and other dried fruits, and wool and mohair are other major export items.

Turkey has had rigid foreign exchange controls since 1929. Import permits for all but essentials have (until recently) been hard to come by. Turkey has had barter and clearing agree-

TURKEY - The Rampart We Watch



Military aid may improve the climate for foreign financial investment in Turkey's postwar Five-Year Plan.

ments with most countries except the United States. The 1939 U. S.-Turkey trade agreement stipulated that 11% of free foreign exchange be reserved to pay for U. S. goods.

Britain stepped into the trade picture in the mid-thirties. A clearing agreement in 1935, revised a year later, set up a joint company to manage an important part of Turk exports to assure payment to Britain for certain deals (the Karabuk steel mill, ships, and wheat). In 1938, Britain gave Turkey \$30 million for arms, another \$50 million for commercial imports (50% to be from the United Kingdom).

• **Part Socialized**—Although Turkey's industry was originally encouraged by foreign capital, manufacturing, mining, banking, utilities, and transport are now government-controlled. The state manages the production and sale of tobacco, salt, matches, alcohol, and petroleum, among other things.

Taking a leaf from the Soviet notebook (and \$8 million in gold from the State Bank in Moscow) Turkey launched a five-year plan in 1934. The Soviet funds were for a big textile development. The first plan was followed by another.

Ataturk's industrial plans pulled Turkey up by the bootstraps. Textile, steel, paper, and flour mills, glass and soap factories, sugar and olive oil refineries, canneries, and tanneries blossomed. New domestic output supplanted cotton and wool imports to an important degree. Sugar imports were cut by beet growing.

• **Trade Agreements**—Turkey's postwar industrial plans may run to a billion dollars. War-accumulated reserves are already being spent. Groping for sources of supply to replace Germany, Ankara has signed a dozen trade agreements with European nations, including Balkan states. Ships have been bought in the United States, Norway, and Italy. Czechoslovakia is supplying \$12 million (which may be increased to \$36 million) in railroad equipment (BW-Mar. 8'47,p104). Machinery and equipment in quantity are being ordered in Britain.

Turkish technical missions have been canvassing the U. S. market for technical and material aid in industrialization plans. Nine Americans have recently signed up with the Turkish government to streamline communications, working in teams of three on telephones and telegraph, railways, and shipping.

• **The Five-Year Plan**—Last year an internal loan (of more than \$50 million) was authorized to finance the five-year plan. Additional funds will be sought both from the United States and from the International Bank for Reconstruction & Development.

No integrated plan has been published, but many specific projects have been announced:

• **Chemicals**: Plants to produce nitric acid (6,000 metric tons) and nitrates (30,000 tons) are to be built at Kutahya. Other plants will manufacture caustic soda (6,000 tons), sodium carbonate (20,000 tons), and copper sulphate and carbon disulphide (no capacity revealed).

• **Textiles**: The linen mill at Bakirkoy will be expanded. The cotton mill at Halkpinar will be enlarged to raise printed-goods output to 25 million square meters. Two thread mills (of 6,000 and 2,000 tons) will be set up at Halkpinar, and a mohair yarn and fabric mill at Brusa.

• **Cellulose**: A packing paper and cardboard mill is to be built at Izmit, with total capacity of 19,500 metric tons. Bonding material for paper manufacture (13,000 tons) will be produced near Artvin. A 600-ton fiber-wool mill and a 600-ton cellophane plant will be built at Gemlik.

• **Cement**: The plant at Sivas will be expanded to 90,000-ton capacity, and capacity for 6,000,000 square meters of black cement slabs installed. At Kara-

buk, cement slag capacity of 200 tons a day will be built.

• **Steel**: At the Karabuk works, rolled steel capacity will be expanded to 200,000 tons; a fine-gage wire mill will be built; plate and sheet capacity will be enlarged to 30,000 or 45,000 tons; a 30,000-ton pipe mill and a new steel mill of 30,000-ton capacity are to be built.

Autos for Export

Vauxhall production near prewar mark; export averages exceeded. But Britons worried about coming U. S. competition.

LONDON—General Motors Corp. British affiliate, Vauxhall Motors Ltd., has pushed its production back to within 10% of its prewar mark. It has surpassed its prewar export figures by 10%.

• **Rolling Along**—The company had to rebuild its assembly line after the war. Hence, production of cars in the first quarter of last year was only 564 units. When the plant got rolling, however, 1946 output reached 53,586 units—19,722 passenger cars and 33,864 commercial vehicles.

Vauxhall exports totaled 22,867 vehicles in 1946 (10,243 cars and 12,624 commercial vehicles). They went chiefly to Australia, New Zealand, South Africa, Denmark, India, and Argentina. Exports in 1937-38 averaged 20,474 vehicles a year.

Present plant capacity, according to the company's annual report just issued, has been brought nearly up to the rate reached just before the war: between 80,000 and 90,000 units a year.

• **U. S. Models Compete**—However, British car manufacturers are not smug about their lead in export markets. One glance at competitive prices tells why. In the distant Australian market, six-cylinder American cars of 30 h.p. (according to British h.p. calculation) are in the same price class with 10 h.p. four- and six-cylinder British types. For instance:

• Vauxhall's 14-h.p., six-cylinder "Senior"—chassis exported for assembly in Australia—costs £A609. (The Australian pound is valued at \$3.23.)

• The American Chevrolet, with a 29-h.p., six-cylinder engine, sells for only a little more: £A661 (Skymaster) and £A682 (Fleetmaster).

• Standard's 8-h.p. and 14-h.p., four-cylinder models sell for £A550 and £A720. The Riley 12-h.p., four sells for £A1,269 and the Wolsley 18-h.p. six sells for £A1,073.

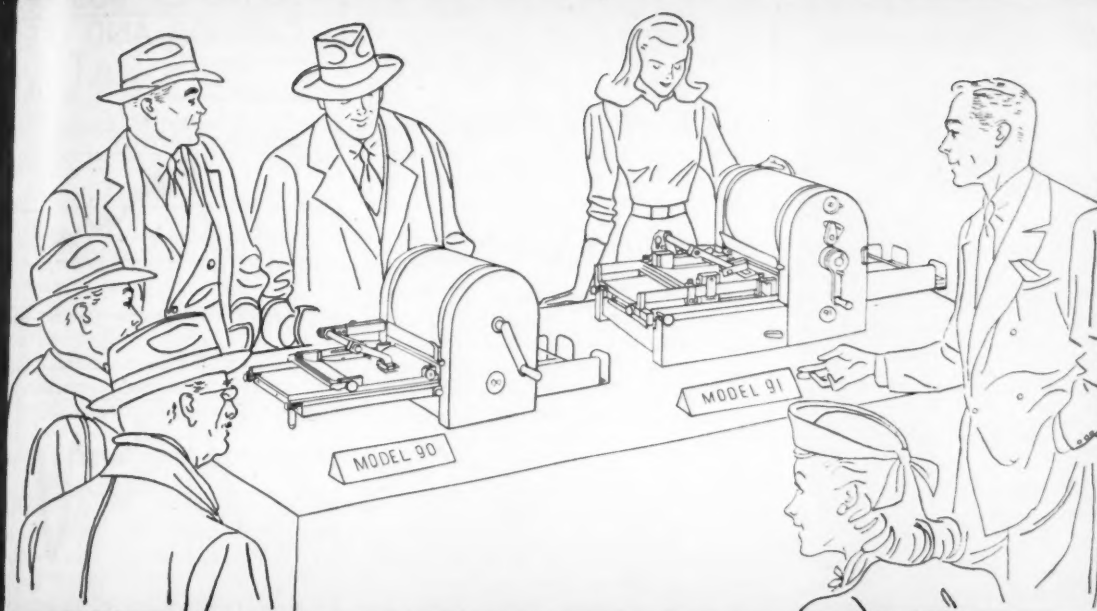
• Canada-built Ford 32.5-h.p. eights cost only £A668. The American Plymouth (25-h.p. six) and Pontiac (30-h.p.

Balance Under Stress



British smokers this week were being pinched by Hugh Dalton's balanced budget. To save some \$30 million on U. S. tobacco imports, Britain's Chancellor of the Exchequer boosted duty on tobacco 50%. This upped the price of a pack of cigarettes from about 47¢ to 67¢.

Though unit tobacco sales skidded after the announcement, Britons were spending about as much as before but smoking less.



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six) cost only £A743 and £A796. The Canadian-built Buick (30-h.p. tight) costs £A1,011 (or less than the most expensive British fours and sixes).

Britons are worried about this U.S. competition in countries where high-powered, high-speed, sturdy cars are needed for long-distance driving. They foresee a sharp curtailment of their market once U.S. producers get into volume production for export.

WELSH WOOLEN PROJECT

Revival and expansion of the Welsh woollens industry is encompassed in a plan submitted to the Wool Working Party by the Welsh Textile Manufacturers Assn. The proposal arises from Britain's program of evolving long-range industrial plans. They are being drafted, industry by industry, by study groups under the aegis of the Board of Trade, aided by industry representatives.

The tentative woollen plan calls for spending \$2 million to set up and equip twelve modern factories—one in each of the Welsh counties. Each will cost an estimated \$160,000.

The industry expects to be able to raise a large part of the funds itself, but hopes to persuade the government to put up 25% of the total. Such a deal was worked out by the cotton textile industry.

Welsh tweeds have long been famous and of good quality. But the president of the Welsh trade association points out that there are now only about half as many factories as in 1914. Young workers, who have been drifting away from Wales, are to be offered training at Bradford and Leeds. Later they'll be offered jobs in the new Welsh mills.

AIR FREIGHT OVERSEAS

United Air Lines has signed air freight agreements with the Scandinavian Airlines System (S.A.S.) and Royal Dutch Airlines (K.L.M.). The tie-up will link 70 U.S. cities with 40 major European market areas.

S.A.S.—embracing Danish Air Lines, Norwegian Air Lines, and Swedish Intercontinental Airlines—connects New York with Scandinavia and 24 other European countries. K.L.M.'s routes reach out from Amsterdam to New York, to European capitals, to Batavia in the Far East, and to the West Indies.

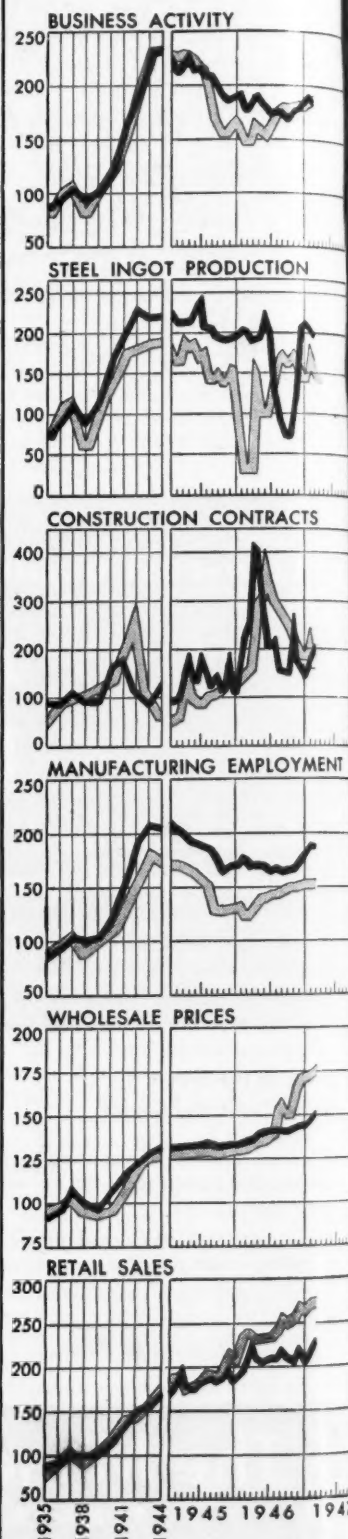
Goods can be flown from Cleveland to Oslo in 27 hr. for \$1.48 per lb. for 100-lb. shipments. From the Pacific Coast of Rome in 34 hr. costs \$2.02 per pound for 100-lb. shipments.

A few days before the announcement from United Air Lines, Pan American World Airways slashed its express rates on shipments above 100 lb. 25% to 40%. The new rates become effective May 2.

TREND OF BUSINESS CANADA AND U.S.A.

1935-39=100

CANADA — U.S.A.



Low-Tax Plan

Finance Minister Abbott is expected to present a budget aimed at popular approval; may get Liberal Party leadership.

OTTAWA—Politicians expect Finance Minister Douglas Abbott to produce a popular, low-tax budget in a week or two.

He will try to make the budget look good to as many taxpayers as possible because:

The King administration needs something to boost its popularity.

Abbott is in the running for Liberal Party leadership (and the post of prime minister) when veteran MacKenzie King retires in a year or two. He could hurt his prospects by being stingy with tax reductions.

The government's financial position is favorable.

For the fiscal year ended Mar. 31, Abbott will report a surplus of about \$100 million. His budget will apply to debt reduction and aim at a balanced budget after tax reductions for 1947-48.

Medium Bracket Relief—Most important cuts will be on personal income taxes, particularly in the lower and middle brackets. Taxes are relatively higher in Canada than in the United States on incomes of \$5,000 to \$15,000. This is an apparent cause of an increasing exodus of youthful executives to the U. S. Abbott will reduce taxes on this group. The present exemptions of \$660 for single and \$1,200 for married persons may be raised to around \$1,000 and \$2,000, respectively.

Businesses, Too—Principal tax relief for business will be removal of the remainder of the wartime excess-profits tax, which was once 100% and is now down to 35%. Corporation income tax is likely to remain at 30%. Reductions in special excise taxes on luxuries (now around 35%) are probable. A few nonluxury articles may be made exempt from the general 8% sales tax.

Effects of recent reductions in taxes on mining companies have been disappointing to the government. Nevertheless, not much more in the way of special relief to the mines is expected. The intention was to boost gold production and help adjust the unbalance of payments between Canada and the United States through larger gold exports. The mining industry has not reacted with the expected flood of new capital for development work.

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THE MARKETS (FINANCE SECTION—PAGE 5)

Security Price Averages

	This Week	Week Ago	Month Ago	Year Ago
Stocks				
Industrial	141.4	137.3	145.6	181.2
Railroad	41.2	39.9	43.5	64.0
Utility	74.3	72.5	76.7	94.7
Bonds				
Industrial	123.4	123.4	123.8	124.2
Railroad	113.2	113.2	113.4	119.1
Utility	112.5	112.3	113.5	115.8

Data: Standard & Poor's Corp.

Stocks Firmer, But—

Despite its bad start, last week didn't prove quite as disastrous for stocks generally as many Wall Streeters had feared. Saturday the sharp price retreat was replaced by definite rallying tendencies.

• **The Trigger**—The last-minute price upsurge was caused by rumors, later confirmed, that a "satisfactory" Big Steel-C.I.O. wage contract was about to be announced (page 100). Thus on Saturday the Dow-Jones industrial stock average erased 33% of the week's earlier losses, while the rail index wiped out about 20%.

This week, with the steel contract a fact, there was some carry-through. By Tuesday, the industrial average had wiped out all but a small portion of last week's price damage. Even the long lagging rail index managed to rally somewhat.

• **Steam Goes Down**—Yet these statistics paint a more encouraging picture of the market than is really justified. This

week trading volume shrank considerably. By Wednesday, Big Board activity was down to a 700,000-share level. And by midweek, the rally had lost its initial steam.

To many market observers, the fact that the rally sprang from wage contract rumors proved one important point: That fears over possible serious 1947 labor-management disputes have been one of the main factors (perhaps the main factor) in the stock market's recent unsatisfactory behavior.

Why, then, isn't the market celebrating the growing number of important wage settlements with much brisker trading?

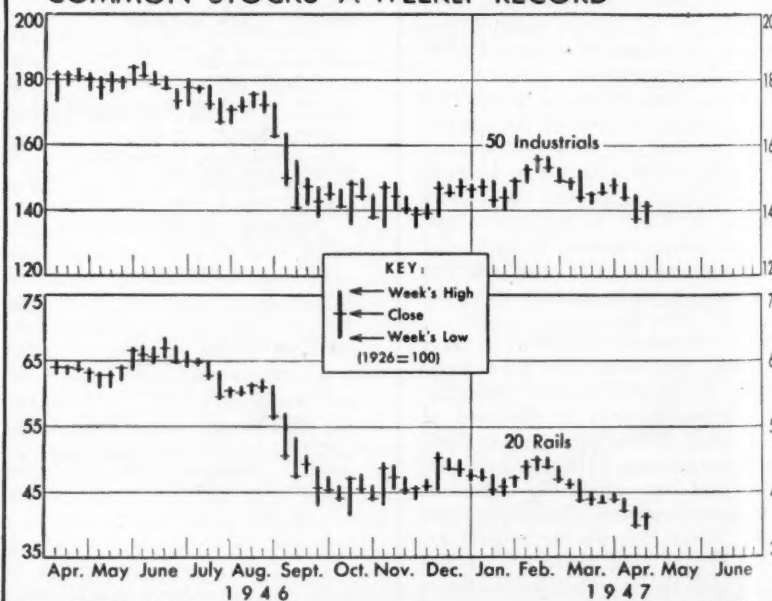
• **Favorable Implications**—The brokerage house boardrooms are aware of the favorable implications of such settlements. Among them:

- A moderately smaller increase in 1947 wage costs than some pessimists had expected.
- Stable labor relations, and uninterrupted production, for some months ahead.
- Higher productivity.
- Increased mass purchasing power to offset the hike in living costs.

However, to many stock market participants, such settlements represent a cure-all. For they also have unfavorable implications which potential stock buyers haven't overlooked. For example:

- Few companies will be able to offset higher 1947 wage costs by higher selling prices, where the growing trend is toward cuts. Thus today's wage raises may

COMMON STOCKS—A WEEKLY RECORD



Data: Standard & Poor's Corp.

© BUSINESS WEEK

and a slashing of present profit margins tomorrow. Labor may now insist on settling all 1947 wage demands along the lines of the 15¢-an-hour-pattern. Many companies, for one reason or another, may feel that they can not absorb a hike of this size, especially if they foresee lower prices. This situation could result in serious management-labor strife later on. **More Than Labor**—It should be remembered, too, that those still on the market's sidelines have been bothered more than labor. A more important deterrent, in fact, has been the price picture. More and more traders and investors have begun to believe that the postwar sellers' market has finally caused such high prices for some of the public has been priced out of the market. They are thus inclined to stay on the side lines until they see how this situation is rectified. **Arbitration**—Where Wall Street's own troubles are concerned the picture is much brighter. The United Financial Employees (A.F.L.) and A. M. Corder Co. have agreed to arbitrate their dispute. Thus the U.F.E. walkout that was going to "paralyze" all Street activities has been postponed indefinitely.

Higher Commissions Demanded

Wall Street's operating costs—like those of the railroads, steel mills, and mines—have been rising sharply. Administrative and clerical rates of pay in the stock brokerage business have advanced 45.7% (23.7% in 1946 alone) since late 1942, according to the Assn. of Stock Exchange Firms. Rental rates shown another 47% increase. All operating costs, excluding "business production expenses," have risen 3%.

Sharing the Expense—As the association sees the picture, these higher costs can no longer be borne by its members alone. Instead, investors and traders should be asked to share today's heavier expenses—especially since commission rates have not been revised since 1942. As a result, the association has strongly recommended that the New York Stock Exchange approve a sharp upward revision in its current commission schedule. Two plans for accomplishing this are now being considered by the exchange's board of governors. Plan "A," approved by a vast majority of the association's directors, would raise present board trading costs about 27.5%. Plan "B," favored by a small minority, would hike commissions some 20%.

Necessary?—Are higher commissions really necessary? All but one of the association's 33 governors believe they are. Only one prominent member firm has publicly announced its opposition to the sharp increase in commission rates that has been proposed.

How do the suggested commission schedules compare with the rates now in effect? Here is the picture, briefly:

Price of Stock	Present Rates	Plan "A"	Plan "B"
Per 100-Share Lots			
\$10	\$15.00	\$15.00	\$15.00
50	25.00	35.00	27.50
100	35.00	40.00	40.00
150	35.00	45.00	45.00
200	35.00	50.00	50.00
Per 25-Share Lots			
\$10	\$5.00	\$7.50	\$7.50
25	5.00	11.25	11.25
50	6.25	16.25	16.25
100	8.75	22.50	21.25
Per 10-Share Lots			
\$10	\$5.00	\$6.00	\$6.00
25	5.00	7.50	7.50
50	5.00	10.00	10.00
100	5.00	10.00	10.00

• **Basis**—The change in rates reflects a different basis for figuring commission schedules. As they're now figured, rates are primarily based on the number of shares bought or sold. Both the suggested schedules are guided, instead, by the amount of money involved in transactions. Plan "A", for example, would charge market participants 6% commission on the first \$100 involved, 1% on the next \$900, 0.5% on the next \$4,000, and 0.1% on all in excess of \$5,000.


The basis for the association's current demand for higher commission rates is apparently a survey covering the September-November operating results of 54 of its members.

The study was conducted by a prominent auditing firm. According to it, 29 of the group failed to cover their overhead costs in October, and 39 went into the red in November. It also noted that some 72% of all profits earned in that three-month period by the firms polled was chalked up in September. This was the Exchange's highest volume-month (barring two exceptions), in the last eight years.

• **Opposing**—Merrill Lynch, Pierce, Fenner & Beane is the chief opponent to higher commissions. This brokerage house, the largest in the nation, doesn't think the association's claim of a 24% increase in costs since 1942 at all "impressive when contrasted with the increase stock exchange volume of 190% over the same period." The firm suggested that brokers "not succumb to the temptation to jump on the higher-cost bandwagon." It suggested they wait until they have "exhausted the possibilities of cutting costs by improving the mechanics of the brokerage business."

As yet the exchange governors have given no hint as to what their eventual action on the request for higher commissions will be. Neither have they said when their decision will be rendered.

HANDLING 180 TONS PER DAY



A BAKER TRUCK

can save
\$59.51

Handling conditions vary, and your own problem should be presented to an experienced material handling engineer. However, the following example outlines a simple method for determining the savings possible. Let us assume a plant with the simple problem of transporting daily 180 tons of material 200 feet from stockrooms to processing machines. Without power trucks this would require 10 truckers, each making 10 round trips per hour, or 80 trips per day, carrying 450 lbs. per load.

TABLE I—Handling Costs Without Truck

(180 tons per day)	Per day	Per ton
Labor (85¢ per hour)	\$68.00	\$0.378
Social Security Taxes	2.72	0.015
Workmen's Compensation	1.00	0.006
Hand Truck Depreciation	0.30	0.002
Total	\$72.02	\$0.401

In order to mechanize handling operations, the following equipment would be required:

TABLE II—Cost of Truck Equipment

2000-lb. Fork Lift Truck	\$4,100.00
Battery	600.00
Battery Charger	840.00
200 pallets	700.00
Total	\$6,240.00

The truck, handling one-ton pallet loads of material, making 24 round trips per hour, could transport the 180 tons in 7½ hours.

TABLE III—Annual Expense With Truck

Depreciation—Truck at 10%	\$410.00
Battery at 20%	120.00
Charging equip. at 6%	56.00
Pallets at 20%	140.00
Tires	100.00
Maintenance—Truck	164.00
Battery	24.00
Charging Equipment	33.60
Replacing damaged pallets	70.00
Electricity	82.00
Insurance	10.00
Total annual expense	\$1,209.60
Expense per day	4.03

TABLE IV—Handling Costs—With Truck

(180 tons per day)	Per day	Per ton
Labor (Driver—\$1 per hour)	\$8.00	\$0.044
Social Security Taxes	0.32	0.002
Workmen's Compensation	0.16	0.001
Truck Expense	4.03	0.022
Total	\$12.51	\$0.069

TABLE V—Savings With Electric Truck

Savings Per Ton	\$ 0.332
Savings Per Day (180 tons)	59.51
Savings Per Year (300 days)	17,853.00
Per Cent Reduction in handling costs ..	83%
Annual earnings on investment	286%

While this example is obviously oversimplified, Baker Material Handling Engineers are prepared to show you how similar savings can be made on handling operations in your plant.

BAKER INDUSTRIAL TRUCK DIVISION
of The Baker-Raulang Company
2164 West 25th Street • Cleveland, Ohio
In Canada: Railway & Power Engineering Corp., Ltd.

Baker INDUSTRIAL TRUCKS

THE TREND

A WAGE PATTERN THAT MAKES LITTLE SENSE

In terms of preserving the industrial peace, at a time when full speed ahead on production is peculiarly important, this has been a great week. United States Steel Corp. and the C.I.O. United Steelworkers started it off with a flourish by agreeing on a wage increase of 15¢ an hour. All week other employers, large and small, have been hurrying to get into line with agreements following the same general pattern of increase.

• In terms of the long-run welfare of the country, however, it is more than doubtful if this week has been any gem. The primary reason is that it has further and perhaps even decisively developed a style in wage adjustment which simply does not make economic sense. The economic circumstances of the industries and companies now busily applying the 15¢ rule vary enormously. Also many of them came out of the war period with greatly distorted wage structures. A sensible handling of their wage-problems would involve countless deviations from a standard pattern.

There will, of course, be deviations from the 15¢ increase, as there were deviations last year from the 18½¢ pattern proclaimed by President Truman. But, as a whole, the settlements of this week will give another great impulse toward national wage uniformity.

As the uniformity of the increase makes no economic sense, neither does the amount of the increase when applied generally. To be worth anything nationally, a wage increase must bear some relationship to an increase in the productivity of labor. This 15¢ increase bears no such relationship. Neither did the 18½¢ last year.

Combined, these increases probably represent somewhere in the neighborhood of a 30% increase in the money wages of those receiving them. But nothing like any such increase in productivity is involved. Indeed, these increases discount any probable increase in productivity for at least the next five or six years. The best we have ever done heretofore in increasing productivity over a series of years was to increase it by about 6% annually for a few years after World War I. In the meantime these 18½¢ and 15¢ wage increases simply put props under an inflationary structure.

• The labor leaders involved might remark at this point that the inflationary structure was already there, together with a large increase in the cost of living since last year, and that they could hardly be expected to wait around patiently until it folded. To do so would simply mean that others would have their jobs as labor leaders. That may well be true, as it is also true that many employers have no alternative but to accept the "pattern."

Then what, if any, is the way back toward a system of wage adjustment that will take account of the idiosyncrasies of both industries and firms, and the productivity problem? Another year, will our labor leaders, who have

created an annual expectation of a whopping increase, be willing to disappoint this expectation and insist on temperance in the wage-increase line? Or will their power to dictate increases be so reduced by an economic setback induced by the bounceback of inflated prices and wages that they will not be calling the tunes quite so vigorously?

• We do not profess to know the answers to questions such as these. We suspect, however, that the central problem involved will be substantially modified by economic developments over the coming year. We cannot see the problem on the way to any abiding solution, however, until wage agreements are again made with primary reference to the industries and plants to which they apply. That involves not only a retreat from industry-wide wage bargaining, but from the species of national wage bargaining on a follow-the-leader pattern into which it has recently blossomed.

The labor bill passed by the House carries a provision designed to prohibit almost all industry-wide bargaining. By the vote of 7-6 the Senate Labor Committee rejected any restriction of industry-wide bargaining in the bill reported to the Senate. There obviously would be a great many difficulties in giving practical effect to a legislative prohibition of industry-wide bargaining such as that approved by the House—difficulties not unlike those of preventing business firms from following a price leader.

In acting to prohibit industry-wide bargaining, however, the House at least addressed itself to one of the key obstacles to getting back to an economically sensible system of wage adjustment. The Senate Committee ducks it. The Senate itself should face the issue squarely.

COLLECTIVE BLUFFING AND BULLDOZING

In a recent article in the *Annals of the American Academy of Political & Social Science* on the "Public Interest in Current Wage Issues," Dexter Keezer of our Economics Staff referred to collective bargaining as "that excessively praised process of fumbling, bluffing, and bulldozing toward an adjustment which should be made with hairbreadth precision."

The observation stimulated the following remarks by one of Keezer's acquaintances who is engaged in practicing industrial statesmanship:

"I am now in the preliminary stages of fumbling and bluffing with some of the unions concerning contracts which expire soon. The bulldozing will come somewhat later, and I am sure will result in peaceful settlements which will measure, almost with hairbreadth precision, the balance point between the union's willingness to strike and management's willingness to make concessions to avoid a strike. That presumably was not the kind of precision you were talking about, but it seems to be the way things are settled."

Well, it is something to get them settled. Or is it?

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